



PARLIAMENT OF NEW SOUTH WALES

# JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE

REPORT 1/55 – DECEMBER 2011

INQUIRY INTO THE PARLIAMENTARY BUDGET OFFICE



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The motto of the coat of arms for the state of New South Wales is “Orta recens quam pura nites”. It is written in Latin and means “newly risen, how brightly you shine”.

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# Membership and Staff

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# Terms of Reference

- 1 A Joint Select Committee be appointed to inquire into and report on the Parliamentary Budget Office, established under the *Parliamentary Budget Officer Act 2010*.
- 2 In conducting its inquiry, the Committee consider:
  - (a) the purpose of the Office, and whether the terms of the Act are appropriate; and
  - (b) the role for the Office, including and not limited to its:
    - i functions and powers;
    - ii structure, staffing and resourcing; and
    - iii accountability and oversight mechanisms.
- 3 The Committee may consider the establishment and operation of comparable offices in other jurisdictions.

The terms of reference were recorded in the Legislative Assembly Votes and Proceedings no 24, Thursday 23 June 2011, Item (12); and Legislative Council Minutes No 24, Thursday 23 June 2011, Item (23).

# Chair's Foreword

Following the election of the O'Farrell Government in March this year, the Premier announced the establishment of a Joint Select Committee on the Parliamentary Budget Office (the Committee) to hold an Inquiry into the future of the Parliamentary Budget Office.

The Committee was tasked to investigate the future of the Office and to determine its ability to provide value for money, quality advice and transparency during the term of a given Parliament, as well as the election period.

The Committee called for submissions from domestic and international jurisdictions as well as non government stakeholders. It hosted a hearing at State Parliament on 21 September 2011 and members of the Committee took the opportunity to take evidence from the former Acting Parliamentary Budget Officer, Mr Tony Harris. Unfortunately, given no other Australian jurisdictions have established a Parliamentary Budget Office to date, there were limited opportunities for members of the Committee to receive primary evidence from Australian Parliaments which had successfully established a similar office.

It was an important focus of the Committee to ascertain how the taxpayers of New South Wales would be best served by such an agency and whether it was, indeed, the role of the Government to provide any special or in-depth advice on how the State budgetary process works, outside the existing options available to individual members of Parliament. In addition, the Committee was keen to seek common ground from all parties and stakeholders as to how the promises made by candidates for Parliament could be costed by a reliable and independent authority during the period commonly defined as a "campaign".

The Committee received a number of submissions from around the world. Whilst these submissions came from nations all advocating the benefits such an institution could have on confidence in the public sector, it should be noted that they were all from national or federal jurisdictions and it was difficult to determine if any state or provincial Governments had successfully implemented a similar body.

It was difficult to determine why some non-parliamentary stakeholders were promoting the need for an ongoing Office given the role of the Office in a non-election period would be restricted to offering services to serving members of Parliament, all of whom have access to their own research staff, Parliamentary Research, and the Parliamentary Library, as well as the Estimates Committee process.

I would like to acknowledge that a variety of opinions were expressed during the Committee's extensive deliberations, throughout the inquiry and especially in the consideration of the Committee's report. I wish to thank the Labor and Greens members in particular for providing such robust debate and to note that they presented an alternative view on a number of issues. Having considered the arguments both in favour and against the existence of a Parliamentary Budget Office, the Committee has made nine recommendations which we believe will give the Government an appreciation of what is required by those advocating its continued presence and by those who may believe it is an indulgence offered to members of Parliament at the taxpayers' expense.



I would like to thank the Committee staff for their full and frank advice. Like most political debates, it is important that those tasked with providing technical advice and support remain impartial and the team who has worked on this Inquiry have unquestionably fulfilled that objective.

I believe the recommendations offered by this Committee have the balance right. The recommendations provide transparency and value for money. I look forward to the O'Farrell Government's response to this Inquiry.

A handwritten signature in black ink, appearing to read 'David Elliott', written in a cursive style.

**David Elliott MP**  
Chair

# List of Recommendations

RECOMMENDATION 1	4
That parliamentary leaders be required to submit all of their publicly announced election policies for costing by the Parliamentary Budget Office.	
RECOMMENDATION 2	8
That the period of appointment for the Parliamentary Budget Officer commence on 1 October of the year prior to a State Election and conclude when the Officer's report is tabled in Parliament.	
RECOMMENDATION 3	8
That the sole function of the Parliamentary Budget Officer be to prepare election policy costings.	
RECOMMENDATION 4	8
That the operational plan of the Parliamentary Budget Office be provided as soon as practicable after the establishment of the Office.	
RECOMMENDATION 5	11
That the Parliamentary Budget Officer be required to furnish a report on the activities of the PBO at the completion of his or her appointment, rather than an annual report.	
RECOMMENDATION 6	12
That a single joint committee be appointed at the beginning of each Parliament to review the report and the activities of the Parliamentary Budget Office during the previous election period.	
RECOMMENDATION 7	14
That the <i>Parliamentary Budget Officer Act 2010</i> be amended to permit the Parliamentary Budget Officer to release more than one budget impact statement during the pre-election period.	
RECOMMENDATION 8	15
That the <i>Parliamentary Budget Officer Act 2010</i> be amended to provide greater clarity regarding the content of budget impact statements, and to provide resources to facilitate that clarity.	
RECOMMENDATION 9	17
That legislative provisions be considered to ensure that information or documents relating to costing requests and PBO costings of unannounced or withdrawn election policies remain confidential to the PBO and the parliamentary leader that has requested the costing. Such confidentiality provisions must extend to an order for papers by either House of Parliament.	

# Chapter One – Introduction

- 1.1 This chapter provides background on the Committee's appointment and the conduct of the inquiry.

## APPOINTMENT OF COMMITTEE

- 1.2 On 23 June 2011, the Legislative Assembly passed a resolution to appoint a joint select committee of eleven members, to inquire into the NSW Parliamentary Budget Office. The terms of reference for the inquiry required the Committee to consider the purpose of the Parliamentary Budget Office and whether the terms of the *Parliamentary Budget Officer Act 2010* are appropriate, as well as the role of the Office, including its functions and powers; structure, staffing and resourcing; and accountability and oversight mechanisms.
- 1.3 The Legislative Council passed a resolution on the same day appointing five of its members to serve on the joint select committee.
- 1.4 The terms of reference for the inquiry are reproduced at page v.

## SUBMISSIONS

- 1.5 The Committee wrote to a number of stakeholders inviting them to make a submission to the inquiry, including all members of the NSW Parliament, major political parties, parliaments in other states, comparable international bodies, academics and relevant NSW government departments. A media release announcing the inquiry and calling for submissions was distributed to media organisations in NSW.
- 1.6 The Committee received 13 submissions from organisations and individuals including the UK House of Commons Scrutiny Unit, Unions NSW, CPA Australia, and the former Acting NSW Parliamentary Budget Officer, Mr Tony Harris. All submissions received can be accessed at the Committee's website at [www.parliament.nsw.gov.au/budgetofficecommittee](http://www.parliament.nsw.gov.au/budgetofficecommittee).
- 1.7 A list of submissions made to the inquiry can be found in Appendix 1.

## PUBLIC HEARING

- 1.8 A public hearing was held on 21 September 2011, with the Committee taking evidence from the former Acting Parliamentary Budget Officer, Mr Tony Harris. The transcript of evidence from the hearing can be found at the Committee's website at [www.parliament.nsw.gov.au/budgetofficecommittee](http://www.parliament.nsw.gov.au/budgetofficecommittee).
- 1.9 The Committee thanks the organisations and individuals who participated in the inquiry.

## Chapter Two – Committee comment and recommendations

- 2.1 The purpose of this inquiry, as outlined in the terms of reference, is to consider the purpose and role of the Parliamentary Budget Office (PBO), including its functions, structure and oversight mechanisms. This chapter provides the Committee's comments and recommendations regarding the future of the Parliamentary Budget Office.

### PURPOSE AND ROLE OF THE OFFICE

- 2.2 The continuation of the PBO was widely supported by many of the participants in this inquiry. Submissions from Unions NSW, the NSW Business Chamber, the Australian Labor Party, the Council of Social Service of NSW and Mr Stephen Bartos were among those that expressed support for the PBO.
- 2.3 The evidence presented to the Committee has demonstrated that parliamentary budget offices and other comparable agencies in different jurisdictions undertake a broad variety of functions. Chapter Four of this report outlines the role and functions performed by a number of agencies in other jurisdictions.
- 2.4 The range of roles that can be performed by a parliamentary budget office was highlighted in the submission from the NSW Business Chamber, which noted that there was no optimal model that would suit all jurisdictions:

PBOs can fill a variety of roles, and different jurisdictions have established them to perform a wide range of functions. As such, there is no “one size fits all” or “optimal” model that all PBOs should seek to follow. Instead, the role and function of a PBO should be shaped by the existing governance frameworks and the capacity of the government to finance the PBOs activities.<sup>1</sup>

- 2.5 Chapter Three of this report describes the current model of the NSW PBO, including the provisions of the *Parliamentary Budget Officer Act 2010* and the activities of the PBO while it operated in 2011. The chapter delineates the three main functions of the PBO:
- (a) preparing costings of election policies for parliamentary leaders and Independent members (including a budget impact statement for all their policies) in the period prior to a State general election,
  - (b) preparing costings of proposed policies of members of Parliament at the request of the member at any time during the year,
  - (c) providing to members of Parliament analysis, advice and briefings of a technical nature on financial, fiscal and economic matters (including in relation to the costing of proposals included in the State budget).<sup>2</sup>

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<sup>1</sup> Submission No. 12, NSW Business Chamber, p. 2.

<sup>2</sup> *Parliamentary Budget Officer Bill 2010*, explanatory note

- 2.6 In considering the purpose and role of the NSW PBO, the majority of the Committee has sought to take into account factors including the duplication of work undertaken by other bodies, the existing resources available to members of Parliament and the Government's capacity to finance the PBO's work.

### Election policy costing function

- 2.7 The Committee heard that the election policy costing function of the NSW PBO was an essential function of the Office. It was described in the agreement in principle speech on the Parliamentary Budget Officer Bill 2010 as "an important and critical role" for the PBO. The speech further explained that the previous *Charter of Budget Honesty (Election Promises Costing) Act 2006* had provided a framework for costing election promises in the lead-up to the 2007 State election. However, it had been criticised due to a perceived bias by Treasury towards the incumbent Government. The Parliamentary Budget Officer Bill 2010 was intended to overcome this perceived bias and "ensure that there is a high-quality and independent election costing process in place that is beyond any criticism concerning impartiality or independence."<sup>3</sup>
- 2.8 The submission from the former Acting Parliamentary Budget Officer, Mr Tony Harris, commented on the importance of the election costing function and contemplated some of the difficulties that had been experienced in New South Wales and the Commonwealth when costings were prepared by the Treasury rather than an independent parliamentary budget office.<sup>4</sup>
- 2.9 Mr Harris noted that one of the intentions, and perhaps the principal intention of the election costing function and the budget impact statements produced by the PBO is:
- ...that the electorate have an accurate and timely assessment of the budgetary implications of election-time policies announced on behalf of political parties and by independent parliamentarians seeking re-election.<sup>5</sup>
- 2.10 The significance of the PBO's election costing function was observed by Mr Harris, who expressed the view that "the primary function envisaged for the NSW PBO when the legislation was being developed was to undertake election-time costings...".<sup>6</sup> However, he went on to say that over time the PBO's briefing role may become the more important function.
- 2.11 Similarly, Mr Stephen Bartos noted that "the present *NSW Parliamentary Budget Officer Act 2010* concentrates almost exclusively on...policy costings." Mr Bartos suggested a number of other functions that the PBO might undertake and stated that "the ongoing existence of a PBO in the periods between elections is harder to justify if election policy costings constitute its predominant function."<sup>7</sup>

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<sup>3</sup> NSW Legislative Assembly, *Hansard*, 19 October 2010, Mr Michael Daley, p. 26229.

<sup>4</sup> Submission No. 1, Mr Tony Harris, p. 2.

<sup>5</sup> Submission No. 1, Mr Tony Harris, p. 3.

<sup>6</sup> Submission No. 1, Mr Tony Harris, pp. 1-2.

<sup>7</sup> Submission No. 13, Mr Stephen Bartos, p. 1.

### *Mandatory costings*

- 2.12 The Committee considers that the existing framework for election costings should be improved to ensure greater participation by parliamentary leaders (that is, leaders of political parties represented in Parliament and Independent members of Parliament).
- 2.13 Chapter Five of the report details the proposals put forward by the NSW Business Chamber and Mr Tony Harris to increase participation in the PBO's election costing process. The Committee heard evidence from Mr Harris that the PBO had not achieved its mandate due to the non-participation of political parties.<sup>8</sup> Mr Harris stated that one approach to address the issue "would be just a mandatory requirement that parliamentary leaders submit announced policies for costing."<sup>9</sup>
- 2.14 The Committee agrees that requiring parliamentary leaders to submit *announced policies* would improve participation in the process and notes that it should not affect the submission of requests to cost policies that have not yet been announced.<sup>10</sup>
- 2.15 The Committee's view is that the independent costing of election promises is a vital role that should continue to be performed by the PBO. Furthermore, the Committee considers that requiring all parliamentary leaders to submit their publicly announced election policies for costing by the PBO would ensure that the electorate was provided with an accurate and timely assessment of the costs of election promises.

### RECOMMENDATION 1

**That parliamentary leaders be required to submit all of their publicly announced election policies for costing by the Parliamentary Budget Office.**

### Other functions

- 2.16 As noted above, the Committee supports the PBO's function of undertaking the independent costing of election promises. However, the Committee considers that other functions performed by the PBO may duplicate work performed by parliamentary committees and other agencies.
- 2.17 Parliamentary examination of budgetary, fiscal or economic issues is presently undertaken during the Budget Estimates process, as well as by the Public Accounts Committee and other parliamentary committees that have the capacity to inquire into fiscal or economic issues.
- 2.18 The Budget Estimates process is a series of annual inquiries held by General Purpose Standing Committees of the Legislative Council. The process occurs after the State Budget is presented to Parliament, and can be described as follows:

Each year Government ministers and senior public servants attend an annual Budget Estimates inquiry to answer questions about the expenditure, performance and

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<sup>8</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 11.

<sup>9</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 5.

<sup>10</sup> Submission No. 1, Mr Tony Harris, p. 4.

effectiveness of their departments.

Budget Estimates is a key process for government accountability and transparency. The Budget Estimates inquiries involve hours of detailed questioning by members of the Legislative Council on the decisions, actions and advice of ministers and public servants.<sup>11</sup>

- 2.19 The Public Accounts Committee (PAC) has responsibilities to "inquire into and report on activities of Government that are reported in the Total State Sector Accounts and the accounts of the State's authorities." The PAC scrutinises the actions of the Executive Branch of Government on behalf of the Legislative Assembly and recommends improvements to the efficiency and effectiveness of government activities. A key aspect of the PAC's work is the examination of the Financial and Performance Audit reports of the NSW Auditor-General.<sup>12</sup>
- 2.20 In addition to this work done by parliamentary committees, the Committee notes that NSW members of Parliament have the benefit of significant assistance in understanding economic and other issues from the Parliamentary Library's Research Service. The *Department of Parliamentary Services Annual Report 2008-2009* described the functions of the Research Service as follows:
- The Research Service produces publications for general distribution and on individual request. These publications aim to assist Members by providing more detailed commentary and analysis on important legislation and major NSW political issues in a format, which is impartial and accessible.<sup>13</sup>
- 2.21 The Committee considers that the Research Service's role in providing research, detailed commentary and analysis for members of Parliament may duplicate the PBO's research, analysis and briefing function.
- 2.22 The Committee acknowledges that the former Acting Parliamentary Budget Officer is of the view that "The Parliamentary Budget Office will do things that the Parliamentary Library cannot do and it will do things that the Parliamentary Library will not do."<sup>14</sup> The Committee notes, however, that there are numerous non-government agencies, institutes and researchers who are able to provide independent research, analysis and commentary on budgetary, economic and fiscal issues in New South Wales.
- 2.23 The Committee also notes that there is also regular independent commentary on financial issues from the Auditor-General through financial and performance audit reports. Financial audits conducted by the Audit Office provide an independent opinion on the financial statements of NSW Government agencies. They are designed to add credibility to financial statements, and to provide a constant stimulus to agencies to ensure sound financial management.<sup>15</sup>

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<sup>11</sup> Parliament of New South Wales - Committees website, [www.parliament.nsw.gov.au/budgetestimates](http://www.parliament.nsw.gov.au/budgetestimates) accessed 2 November 2011

<sup>12</sup> Public Accounts Committee website, [www.parliament.nsw.gov.au/publicaccounts](http://www.parliament.nsw.gov.au/publicaccounts) accessed 2 November 2011

<sup>13</sup> Parliament of New South Wales. 2009. *Department of Parliamentary Services Annual Report 2008-2009*, p. 15.

<sup>14</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 19.

<sup>15</sup> Audit Office of New South Wales – Performance Audit Reports website, [www.audit.nsw.gov.au/Publications/Financial-Audits](http://www.audit.nsw.gov.au/Publications/Financial-Audits), accessed 4 November 2011.

Performance audit reports prepared by the Auditor-General concern "the efficiency, effectiveness, economy (and in certain circumstances, compliance aspects) of a particular government activity."<sup>16</sup>

- 2.24 Furthermore, the Committee notes that members of Parliament, in particular the Leader of the Opposition and shadow ministers, are provided with research staff and resources to review, assess and keep themselves updated on economic and fiscal issues. Members of Parliament may also have access to resources and research commissioned by their political party.
- 2.25 On balance, the Committee considers that the existing avenues for members of Parliament to obtain independent commentary and analysis on financial matters are adequate. The Committee further considers that it is unreasonable to provide tax payer funded assistance to political parties for developing and costing policies.
- 2.26 Chapter Four of this report includes a review of comparable bodies in a number of international jurisdictions. The Committee notes that the bodies reviewed in this report are mainly national agencies, rather than sub-national state or provincial bodies. The Committee found that the agencies reviewed had differing functions and operated in significantly different political contexts.
- 2.27 The chapter also includes a review of all state and territory jurisdictions in Australia. The Committee found that no other Australian state or territory has a Parliamentary Budget Office.
- 2.28 Some Australian jurisdictions have considered proposals to appoint a Parliamentary Budget Officer. For example, the Standing Committee on Administration and Procedure of the Australian Capital Territory Parliament conducted an inquiry in 2009 into the merit of appointing a Parliamentary Budget Officer. That committee found that "a fully-resourced, independent parliamentary budget office is beyond the financial reach of a small jurisdiction like the ACT."<sup>17</sup>

### A non-permanent PBO

- 2.29 The majority of the Committee is of the view that the benefits of a permanent NSW Parliamentary Budget Office with its existing functions are outweighed by the costs.
- 2.30 The Committee supports the independent costing of election promises in a cost effective way and considers that this function can best be undertaken by a Parliamentary Budget Office. However, the majority of the Committee considers that the other functions of the PBO provided for in the current Act duplicate work performed by other agencies and do not provide value for money for the NSW public.

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<sup>16</sup> Audit Office of New South Wales – Performance Audit Reports website, [www.audit.nsw.gov.au/Publications/Performance-Audit-Reports](http://www.audit.nsw.gov.au/Publications/Performance-Audit-Reports), accessed 4 November 2011.

<sup>17</sup> ACT Standing Committee on Administration and Procedure. 2009. *The merit of appointing a Parliamentary Budget Officer*, p. 19.



- 2.31 Accordingly, the majority of the Committee supports the establishment of a non-permanent PBO, which is to be activated for the purpose of costing election policies prior to each State election. The majority of the Committee proposes that the PBO would begin operating approximately six months prior to each election and conclude its activities shortly after the election. This would enable the PBO to carry out its role of providing election costings for parliamentary leaders and would give the electorate access to costing information in a timely and reliable manner whilst avoiding unnecessary expenditure in between elections.
- 2.32 The majority of the Committee supports a model under which the PBO would remain responsible for compiling costings of each parliamentary leader's election commitments and producing budget impact statements, comprising the summary net impacts on the half-yearly budget review together with a summary of each policy costed.
- 2.33 The following table provides an indicative timetable for the establishment and operation of a non-permanent PBO as recommended by the Committee.

**Table 1: Indicative PBO timetable**

<b>Date</b>	<b>Action</b>
July to September	<ul style="list-style-type: none"> <li>• Selection and appointment of the Parliamentary Budget Officer</li> <li>• Commence selection of temporary staff and contractors</li> </ul>
1 October	<ul style="list-style-type: none"> <li>• PBO established</li> <li>• Beginning of pre-election period during which parliamentary leaders may submit election policies for costing</li> </ul>
October to November	<ul style="list-style-type: none"> <li>• Development and approval of operational plan</li> <li>• Appointment of temporary staff and contractors</li> <li>• Processes and templates developed</li> <li>• PBO meetings with parliamentary leaders to agree on processes</li> <li>• PBO commences costing submitted policies</li> </ul>
December	<ul style="list-style-type: none"> <li>• Half yearly budget review released</li> <li>• Costing of submitted policies</li> <li>• Monthly update of costings provided to each parliamentary leader</li> </ul>
January to February	<ul style="list-style-type: none"> <li>• Costing of submitted policies</li> <li>• Monthly update of costings provided to each parliamentary leader</li> </ul>
March	<ul style="list-style-type: none"> <li>• Draft budget impact statement provided to each parliamentary leader 15 days prior to election</li> <li>• Budget impact statement for each parliamentary leader publicly released 5 days prior to election</li> </ul>
End March	<ul style="list-style-type: none"> <li>• NSW State Election</li> <li>• Suspension of costing work by the PBO</li> </ul>
Following the election	<ul style="list-style-type: none"> <li>• Summary report of the activities of the PBO prepared by the Parliamentary Budget Officer and tabled in Parliament</li> </ul>

- 2.34 In order to implement a non-permanent PBO with the sole function of preparing election policy costings, a number of changes will need to be made to the *Parliamentary Budget Officer Act 2010*. The changes recommended by the Committee include the following amendments:
- revising the term of office for the Parliamentary Budget Officer to the period beginning on 1 October of the year prior to a State Election and concluding when a report of the activities of the PBO is tabled in Parliament following the election;
  - removing the functions relating to advice etc to members of Parliament, as the PBO's sole function would be the preparation of election policy costings as per s 12 and Part 4;
  - requiring that the operational plan is provided as soon as practicable after the establishment of the PBO;
  - removing references to costings other than election policy costings; and
  - specifying that the pre-election period commences on 1 October of the year before a State Election.

#### RECOMMENDATION 2

**That the period of appointment for the Parliamentary Budget Officer commence on 1 October of the year prior to a State Election and conclude when the Officer's report is tabled in Parliament.**

#### RECOMMENDATION 3

**That the sole function of the Parliamentary Budget Officer be to prepare election policy costings.**

#### RECOMMENDATION 4

**That the operational plan of the Parliamentary Budget Office be provided as soon as practicable after the establishment of the Office.**

### Elections outside the usual period

- 2.35 Aside from the amendments listed above, the Committee also notes that further consideration may be required if an election occurs outside of the usual period. In the event that there is an early dissolution of Parliament an election may be called that is not in line with the usual four-yearly election schedule. The Committee notes that in such circumstances there will be significantly less notice of an upcoming election than occurs usually.
- 2.36 Another circumstance that may require further consideration is the potential for a change of government through one or more by-elections. If the government of the day held only a small majority, then by-elections in a number of seats may result in a change of government.

- 2.37 The Committee is of the view that the issue of how to undertake costings for elections that fall outside of the usual four-yearly schedule should be further considered by the Government when considering amendments to the Act.

### Post-election costings

- 2.38 The issue of post-election costings was raised during the Commonwealth Inquiry into the Parliamentary Budget Office. The report of that committee noted that the Commonwealth *Charter of Budget Honesty Act 2006*:

... currently restricts the requests for costings to the caretaker period, ending on polling day, rather than the conventional ending of the caretaker period when the election result is clear or when the new Government is appointed. This prevents the costings process from being used following an election, in the period were the formation of a new Government might be under negotiation by political parties and Independent Members.

- 2.39 The Commonwealth Committee considered that there was "value in extending the ability to request costings to the period following polling day to the formation of the Government, to enable transparent and accountable negotiations in the event of a future hung Parliament."<sup>18</sup>
- 2.40 The Committee notes that s 19 of the NSW *Parliament Budget Officer Act 2010* defines the period during which election policy costings may be requested and the period appears to cease on the date of the State Election.
- 2.41 The Committee did not receive any evidence during the inquiry about the issue of the PBO conducting post-election costings. However the Committee is of the view that the issue may be worthy of further consideration.

## STRUCTURE, STAFFING AND RESOURCING

### Structure and staffing

- 2.42 As outlined above, the majority of the Committee has recommended that a non-permanent PBO be established in the financial year during which a State Election occurs. The Committee envisages that the PBO would be operational by 1 October, following the appointment of a Parliamentary Budget Officer.
- 2.43 The Committee expects that staffing levels of the PBO would be similar to those indicated in the agreement in principle speech on the Parliamentary Budget Officer Bill 2010, when the then-Minister for Finance envisaged that "the office will require approximately 12 to 16 qualified and experienced economists, accountants and financial analysts covering the key spending areas, and the requisite support staff."<sup>19</sup>
- 2.44 In order to perform its election policy costing function, the Committee anticipates that the PBO would be staffed by up to 14 full time employees for six months, comprising the Parliamentary Budget Officer, 12 budget analysts and an

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<sup>18</sup> Australian Joint Select Committee on the Parliamentary Budget Office. 2011. *Inquiry into the Parliamentary Budget Office*, pp. 47-48.

<sup>19</sup> NSW Legislative Assembly, *Hansard*, 19 October 2010, Mr Michael Daley, p. 26229.

administrative assistant. Personnel would be seconded as temporary employees from Treasury and other areas of the public service, or engaged as contractors/consultants.

- 2.45 The Committee notes that the full complement of staff may not be required for the entire period that the PBO operates. In the Committee's view, the Parliamentary Budget Officer should endeavour to ensure that the PBO's staffing strategy is sufficiently flexible to meet fluctuating demand which would be expected to gradually increase throughout the election period.
- 2.46 By necessity, the PBO will need to work closely with Treasury to ensure access to relevant information on the cost of proposed policies. Chapter Three of this report includes details about the activities of the PBO during the 2011 pre-election period. Evidence from Mr Harris during the Committee's public hearing highlighted the importance of the PBO's relationship with the Treasury and other Government departments:

In the exercise we undertook before the last election departments were very forthcoming and helpful. The time requirements in the Act would have frustrated the Parliamentary Budget Office's work had they been seen by departments as the minimum time but they accelerated their provision of assistance to the Parliamentary Budget Office and that was a tremendous help. No department was tardy in that provision of assistance. In the same circumstances in future that would be a very important part of the armoury of the Parliamentary Budget Office.

The extraordinarily limited time that the Parliamentary Budget Office had on the occasion of the last election required the expertise of Treasury officers seconded from Treasury to the Parliamentary Budget Office and it required their relationships with other analysts back in Treasury to assist the rapid affirmation or rapid assessment of costings which Treasury had previously done.<sup>20</sup>

- 2.47 The majority of the Committee considers that establishing an effective working relationship with Treasury will be a key priority for the Parliamentary Budget Officer.

## Resourcing

- 2.48 Given the reduced role and period of operation of the Office, the Committee considers that the current budget for the PBO would be excessive for the scale of the work required.
- 2.49 The budget of the Parliamentary Budget Office proposed in the agreement in principle speech on the Parliamentary Budget Officer Bill 2010 was for an amount of "up to \$3 million (recurrent) in 2011-2012 to 2018-2019 for the ongoing operational costs for the office."<sup>21</sup>
- 2.50 The Committee considers that funding would be required for 14 full time employees for the six months that the PBO would operate prior to an election. Such funding would represent a significant saving of the cost originally proposed for the Office.

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<sup>20</sup> Mr Tony Harris, Transcript of evidence, 21 September 2011, pp. 1.

<sup>21</sup> NSW Legislative Assembly, *Hansard*, 19 October 2010, Mr Michael Daley, p. 26230.

- 2.51 Funding would be appropriated in the financial year during which the Election occurs. The parliamentary appropriation would be required to allocate specific funding for the PBO, while the Presiding Officers would have responsibility for providing secure and appropriate accommodation for the Office.

## ACCOUNTABILITY AND OVERSIGHT MECHANISMS.

### Post-election report on the activities of the PBO

- 2.52 Section 15 of the Act currently provides that the Parliamentary Budget Officer is to furnish an annual report to two designated parliamentary committees. However, the Committee considers that it may be preferable for the Officer to report at the conclusion of his or her appointment, rather than through an annual report. If appropriate, the costs of the PBO could be incorporated into the Legislature's financial statements, and a short description of its activities could be incorporated in the relevant department's annual report.
- 2.53 As the activities of the PBO would cease following an election in March, in the Committee's view it would be more appropriate for the Parliamentary Budget Officer to submit a written report at the conclusion of the PBO's operation. The report would focus on the activities of the PBO for the period that it operated and include:
- its resourcing and cost of operation;
  - the number of costings and budget impact statements completed;
  - issues encountered in undertaking the costings process; and
  - recommendations to improve to the costings process, the relevant legislation or the operation of future PBOs.
- 2.54 The Committee notes that in order to prepare such a report on the PBO's activities the Parliamentary Budget Officer's period of appointment may need to be extended beyond 31 March of an election year. The Committee expects that the report should be completed within three months of the Election date and subsequently tabled in Parliament.

## RECOMMENDATION 5

**That the Parliamentary Budget Officer be required to furnish a report on the activities of the PBO at the completion of his or her appointment, rather than an annual report.**

### Single Joint Parliamentary Committee

- 2.55 As noted above, section 15 of the Act requires that the Parliamentary Budget Officer report to two parliamentary committees - one committee of the Legislative Assembly and one committee of the Legislative Council.
- 2.56 During the inquiry's public hearing the former Acting Parliamentary Budget Officer, Mr Tony Harris, expressed his hope that the requirement might be revised "so that the Parliamentary Budget Officer does not have to report to two

separate committees".<sup>22</sup> Mr Harris's submission to the inquiry suggested that the Act be amended so that a single joint committee be appointed to oversight the PBO.<sup>23</sup>

- 2.57 The Committee agrees with Mr Harris's view that appointing two parliamentary committees to oversight the PBO is unnecessary and that it would be preferable for a single joint committee to be appointed after each election to review the operation of the PBO.

## RECOMMENDATION 6

**That a single joint committee be appointed at the beginning of each Parliament to review the report and the activities of the Parliamentary Budget Office during the previous election period.**

## OTHER CONSIDERATIONS

### Announced policies

- 2.58 The submission from Mr Harris discussed the circumstances under which the PBO may publish election policy costings. The submission noted that the PBO may not publish a costing until the relevant parliamentary leader advises that the policy has been publicly announced, and further stated that:

This restriction on publishing a costing exists even though it is clear that the policy had been announced before the costing exercise was completed. Similarly, a parliamentary leader may withdraw a costed policy from a Budget Impact Statement even though it is clear that the policy has been announced.<sup>24</sup>

- 2.59 The Committee sought the views of Mr Harris during the public hearing about what should constitute an announced policy and who should advise the PBO that election policies have been announced. The following exchange shows that there are a number of possibilities regarding what might be considered an election policy of a party, ranging from what is on a party's website or mentioned in an interview, through to a specific list of policies endorsed by a parliamentary leader. The Committee agrees with Mr Harris's view that the existing requirement, for the parliamentary leader to be involved in the process of determining which policies are the announced policies of a party, is the most appropriate.

**Dr JOHN KAYE:** ...I mean you can have everything that has ever been announced by that party, what is on their website, what might have been mooted by a backbencher, what might have happened in a conversation between a member of the public—

**Ms KRISTINA KENEALLY:** What they may have told a journalist.

**Dr JOHN KAYE:** Yes, you could go to that extreme, or go to the other extreme, just what the parliamentary officer tells you are the announced policies. We could make this compulsory, and I think there is an argument for doing so. There are arguments

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<sup>22</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 18.

<sup>23</sup> Submission No. 1, Mr Tony Harris, p. 7.

<sup>24</sup> Submission No 1, Mr Tony Harris, p. 6.

for not doing so but there are arguments for doing so. But if we did make it compulsory we could also make it meaningless by saying that it is whatever the parliamentary leader says. They may just give you: We announced we would supply free milk to an Erskineville kindergarten once a year and that is our budgetary cost.

**Mr HARRIS:** The current Act gives a little guidance on this by saying the parliamentary leader has to be involved in the making of announced policies or at least certifying that there are announced policies. This does not overcome the problem of a local member making promises that the party or parliamentary leader has not made. But the absence of any costing might be an indication that those promises are not official.

**Dr JOHN KAYE:** Where on that spectrum do you believe we should head?

**Mr HARRIS:** The parliamentary leader has to be involved in that process of saying these policies are the announced policies. So policies that are announced but are not announced or endorsed by the parliamentary leader are not official promises. The media can actually arbitrate, to misuse a term, the situation by saying, "Okay, the PBO has not costed this policy, so it's not really a promise." It is like Mr Abbott's "Unless it's in writing it's not a promise." It is that kind of issue.

**Dr JOHN KAYE:** The direction in which this heads, which is not necessarily a bad thing, is to an official platform, which becomes an official document: "This is what we're going to the election on. This is what we're promising you we will do in this term of government. It's been costed by the Parliamentary Budget Office. That's what we're standing on"?

**Mr HARRIS:** Yes, and if it is not there the electorate can discount it and the media can discount it.<sup>25</sup>

- 2.60 The Committee considers that the existing legislation, which provides that "a parliamentary leader is required to notify the Parliamentary Budget Officer of the public announcement by that leader of policies that have been costed by the Officer"<sup>26</sup>, provides the most satisfactory method for determining the publicly announced policies of a political party or Independent member of Parliament.

### Timing and content of budget impact statements

- 2.61 During the course of the inquiry the Committee heard that the PBO released only one budget impact statement in the lead up to the 2011 State Election and that statement contained less than half of the relevant party's election policies.<sup>27</sup>
- 2.62 Section 23 of the Act requires the Parliamentary Budget Officer to prepare a separate budget impact statement for the respective policies of each parliamentary leader that have been costed by the PBO. The Act provides that a budget impact statement is to list the relevant costed policies and show:

(a) a summary of the assessed financial impact of each costed policy, and

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<sup>25</sup> Dr John Kaye, The Hon Trevor Khan, Ms Kristina Keneally, Mr Tony Harris, *Transcript of evidence*, 21 September 2011, pp. 5-6.

<sup>26</sup> *Parliamentary Budget Officer Act 2010*, s 21.

<sup>27</sup> Submission No. 1, Mr Tony Harris, p. 3.

(b) the total net financial impact of all the costed policies,

on the current year's State budget and on the forward estimates for the period to which the pre-election half-yearly budget review relates. The budget impact statement is also to show the impact of all the costed policies on the State's net financial liabilities.<sup>28</sup>

- 2.63 The Act also requires that a draft statement is to be provided to the parliamentary leader on the fifteenth last day before the election, prior to the final budget impact statement being released by the PBO on the fifth last day before the election.<sup>29</sup>
- 2.64 The Committee notes that the current legislation does not permit the PBO to release more than one budget impact statement. There is thus no provision for the PBO to update the overall impact of a party's election promises if the PBO receives costing requests, or completes costing requests, after the cut-off date stipulated above (the fifteenth last day before the election).
- 2.65 Mr Harris suggested that this limitation could be overcome if the Act was amended to allow the PBO to publish more than one budget impact statement, or to update the budget impact statement, when it released costings that were completed after the cut off date.<sup>30</sup>
- 2.66 The Committee agrees that allowing the PBO to release subsequent budget impact statements will provide greater flexibility during the final weeks of an election campaign, increasing the likelihood that the electorate is provided with an accurate assessment of the budgetary impact of each party's election policies.
- 2.67 The Committee therefore considers that the Act should be amended to permit the Parliamentary Budget Officer to release subsequent budget impact statements. The Committee considers that the number and release date of subsequent statements should be left to the discretion of the Parliamentary Budget Officer. However, the Officer should be required to provide a draft statement to the relevant parliamentary leader prior to the release of the statement.

## RECOMMENDATION 7

**That the *Parliamentary Budget Officer Act 2010* be amended to permit the Parliamentary Budget Officer to release more than one budget impact statement during the pre-election period.**

- 2.68 The Committee heard that there had been some doubt during the 2011 pre-election period about the content of the budget impact statement. Mr Harris informed the Committee that there had been a question of "whether the measures used to determine impact (for example, the increase or decrease in

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<sup>28</sup> *Parliamentary Budget Officer Act 2010*, s 23.

<sup>29</sup> *Parliamentary Budget Officer Act 2010*, s 23.

<sup>30</sup> Submission No. 1, Mr Tony Harris, p. 6.



general government financial liabilities) could be referenced against or compared to the equivalent figure in the government's half-yearly budget report."<sup>31</sup>

2.69 During the 2011 Election the PBO "took the view that a report on the budget impact would not be satisfied if only the costs or other financial implications of the promises themselves were shown in isolation."<sup>32</sup> Hence the budget impact statement released by the PBO included the following figures from the half-yearly budget review:

- General Government Net Operating Balance,
- General Government Sector Capital Expenditure,
- General Government Sector Net Worth,
- General Government Sector Net Financial Liabilities, and
- Total State Sector Net Financial Liabilities

2.70 However, Mr Harris believed that a legislative amendment might be required to ensure clarity if there was any legal doubt about whether the PBO was permitted to reference the figures in the Government's half-yearly budget review when it prepared budget impact statements.<sup>33</sup>

2.71 The Committee agrees that clarity regarding the content of the budget impact statements produced by the PBO is required. Therefore the Committee recommends that the Act be amended to ensure there is clear guidance on the content of budget impact statements.

## RECOMMENDATION 8

**That the *Parliamentary Budget Officer Act 2010* be amended to provide greater clarity regarding the content of budget impact statements, and to provide resources to facilitate that clarity.**

### Confidentiality of PBO documents

2.72 During the hearing the Committee asked Mr Harris whether confidential costings prepared by the PBO would have to be released in response to an order for papers by the Legislative Assembly or the Legislative Council.<sup>34</sup> Mr Harris answered:

They are not the Government's papers, they are Parliament's papers and Parliament can decide what it wants to do with Parliament's papers. Parliament, the Upper House, could say to the Parliamentary Budget Office that it wants to see all these papers and I think the Parliamentary Budget Office would have to provide them

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<sup>31</sup> Submission No. 1, Mr Tony Harris, p. 5.

<sup>32</sup> Submission No. 1, Mr Tony Harris, p. 5.

<sup>33</sup> Submission No. 1, Mr Tony Harris, p. 5.

<sup>34</sup> Standing Order 269 of the Legislative Assembly provides that: The House may order Ministers to table papers. The order shall be communicated in writing to the Premier by the Clerk. The House may, by resolution, authorise the Speaker to make arrangements for the return of such papers.

See also Standing Order 52 of the Legislative Council.

because, absent of any protection from the legislation, the Parliamentary Budget Officer is a parliamentary officer.<sup>35</sup>

2.73 The Committee was concerned by the suggestion that the confidentiality of PBO costings of unannounced policies might be made ineffective by an order for papers. The Committee considered that if the confidentiality of PBO costings could not be ensured, then it may affect the likelihood of a parliamentary leader submitting costing requests to the PBO.

2.74 The confidentiality of costings for unannounced policies has been a facet of the NSW election costing process since the Charter of Budget Honesty (Election Promises Costing) Bill 2006 was introduced. The second reading speech for the Bill highlighted that the costing process under the Bill:

...allows the Leader of the Opposition to have access to the Treasury to cost a proposed policy prior to its announcement. This allows the Opposition to assess the financial impacts of a proposed policy and provides the opportunity to delete that policy or amend it prior to release.<sup>36</sup>

2.75 In light of the uncertainty about confidentiality, the Committee reviewed the existing provisions of the Act that concern the confidentiality of information and documents relating to election policy costings. The relevant section of the Act, section 17, is outlined below:

Confidentiality of information or documents relating to election policy and other costings

(1) This section applies to any of the following information and documents:

(a) information or documents provided to the Parliamentary Budget Officer by a parliamentary leader (or on his or her behalf) for the purposes of an election policy costing under Part 4,

(b) information or documents provided to the Parliamentary Budget Officer by a member of Parliament (or on his or her behalf) for the purposes of a costing under this Part of any policy of the member,

(c) information or documents prepared by the Parliamentary Budget Officer for the purposes of any such costing.

(2) The Parliamentary Budget Officer, or any member of staff of the Parliamentary Budget Office, must not disclose any such information or document except:

(a) in the case of an election costing request by a parliamentary leader—to that leader, or

(b) in the case of any other costing request by a member of Parliament—to that member, or

(c) in any case—to another member of staff of the Parliamentary Budget Office.

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<sup>35</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 17.

<sup>36</sup> NSW Legislative Assembly, *Hansard*, 17 October 2006, Mr Morris lemma, p. 2685.

Maximum penalty: 50 penalty units.

(3) This section does not apply to any information or document:

(a) if the information or document relates to an election policy costing or election costing request that the Parliamentary Budget Officer is authorised or required to publicly release by this Act, or

(b) if the information or document has already been lawfully published, or

(c) if the person disclosing the information or document became aware of the information or obtained the document otherwise than in the course of an election policy or other costing under this Act.

2.76 The Committee notes that the Act provides that the Parliamentary Budget Officer, or PBO staff, must not disclose any information relating to costings, except to the parliamentary leader who made the request or to other staff of the PBO. The only exclusions to these confidentiality provisions are: if the information is already public; if it is authorised to be published by the Act; or if the information was acquired outside of the costing process.

2.77 However, as noted earlier the Committee received evidence from Mr Harris that, in the absence of any protection in the legislation, the Parliamentary Budget Officer may have to provide papers relating to costings by an order of a House of Parliament.

2.77A The Committee considers that the potential release of information relating to unannounced or withdrawn election policies may reduce parliamentary leaders' confidence in the costing process. The potential for public ridicule could constrain the willingness of parliamentary leaders to explore innovative policy ideas. The Committee is of the view that the Act must provide sufficient protection to ensure the confidentiality of costing requests and PBO costings in the event of an order for papers by either House of Parliament.

2.77B Therefore the Committee is recommending that legislative provisions be considered to ensure that information or documents relating to costing requests and PBO costings of unannounced or withdrawn election policies be exempt from an order for papers.

## RECOMMENDATION 9

**That legislative provisions be considered to ensure that information or documents relating to costing requests and PBO costings of unannounced or withdrawn election policies remain confidential to the PBO and the parliamentary leader that has requested the costing. Such confidentiality provisions must extend to an order for papers by either House of Parliament.**

## Publication of basic costing data

- 2.78 During the public hearing Mr Harris discussed the proposition of the PBO producing a set of basic costing data that members of Parliament and political parties could use to develop policies and to prepare costing requests.<sup>37</sup>
- 2.79 Mr Harris stated that it would be possible for the PBO to prepare a set of basic data. However, he went on to say that it would contain imperfections and could not be relied on for accurate costings:
- As for the first part of your question—can you put out a blue book of costings—yes, you can. Can you use those costings blindly? No, you cannot because the average will hide many imperfections. So the average cost of a teacher might be overstating or understating the actual cost if applied to a promise, depending on the circumstances. Some teachers are dearer than other teachers. Some teachers in the same area are dearer in some places than in others.<sup>38</sup>
- 2.80 In addition to the imperfections created by using averages, Mr Harris also pointed out that there would be many policies that would not be in a 'blue book' of basic costing data.<sup>39</sup>
- 2.81 In light of the evidence from Mr Harris, and given that the majority of the Committee supports the six month operating period of the PBO, the majority of the Committee considers that the preparation of a set of basic costing data would not be the best use of the PBO's resources.

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<sup>37</sup> Dr John Kaye, Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 13.

<sup>38</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 13.

<sup>39</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 14.

## Chapter Three – Current Model

- 3.1 This chapter considers the current model of the New South Wales Parliamentary Budget Office (PBO).
- 3.2 The establishment of the PBO was preceded by a number of attempts to introduce and subsequently to improve a mechanism for costing election policies. These included the commencement of the *Charter of Budget Honesty (Election Promises Costing) Act 2006* and the introduction of two parliamentary bills which sought to amend that Act.
- 3.3 The Charter of Budget Honesty (Election Promises Costing) Act was repealed in 2010 following the commencement of the *Parliamentary Budget Officer Act 2010*. This chapter outlines the provisions of the Parliamentary Budget Officer Act, as well as a summary of the activities of the PBO during the time it operated.

### HISTORY AND RATIONALE FOR THE ESTABLISHMENT OF THE PARLIAMENTARY BUDGET OFFICE

#### *Charter of Budget Honesty (Election Promises Costing) Act 2006*

- 3.4 The *Charter of Budget Honesty (Election Promises Costing) Act 2006* was passed by Parliament in November 2006, prior to the 2007 State Election. The Act allowed the Government and the Opposition to have their election promises costed by the NSW Treasury.
- 3.5 The Act provided that the Premier or Leader of the Opposition could "request the Secretary of the Treasury to prepare costings of publicly announced or proposed policies".<sup>40</sup> The process was not mandatory, and the Act did not provide for minor parties or Independents to request costings.
- 3.6 In his second reading speech the then-Premier stated that the Bill provided "an impartial framework for costing election promises in the lead-up to [a] New South Wales election". He went on to say that the costings, when publicised, would allow "the electorate and the media to judge each side's credibility and to see how its promises stack up".<sup>41</sup>
- 3.7 The then-Premier explained that in past years costings had often been conducted by external consultants and noted that this was:

... very much a second-best option. That is not only because the Treasury has unrivalled specialist knowledge of public sector finance, but also because private sector consultancies have a direct financial interest in delivering the news a political party wants to hear, and also because the consultants must rely on the assumptions and documentation provided by that party which may be incomplete or one-sided.<sup>42</sup>

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<sup>40</sup> Charter of Budget Honesty (Election Promises Costing) Act 2006, s 5.

<sup>41</sup> NSW Legislative Assembly, Hansard, 17 October 2006, Mr Morris lemma, p. 2685.

<sup>42</sup> NSW Legislative Assembly, Hansard, 17 October 2006, Mr Morris lemma, p. 2686.

- 3.8 According to the second reading speech, the provisions of the Bill were "largely similar to those contained in the Commonwealth Charter of Budget Honesty Act introduced by the Howard Government in 1998".<sup>43</sup> However, it differed from the Commonwealth Act in a number of respects. The NSW Bill allowed the Leader of the Opposition to request a costing for a proposed policy prior to its public announcement, and required Treasury to publish a costing only after the Leader advised that the policy had been publicly announced. The Bill also required Treasury to prepare and publicly release a budget impact statement for each party, which showed the total net financial impact of all costed policies of that party.<sup>44</sup>
- 3.9 In the 2007 State Election, "the Government used the Treasury for its costings, while the Opposition used an external consultant".<sup>45</sup>

*Bills to amend the Charter of Budget Honesty (Election Promises Costing) Act 2006*

- 3.10 Two bills were introduced to Parliament in 2010 which sought to amend the *Charter of Budget Honesty (Election Promises Costing) Act 2006*. However, neither of the bills became law and both lapsed at the prorogation of the 54<sup>th</sup> Parliament.
- 3.11 The first of these was a private members bill introduced by Mr Mike Baird MP on 23 April 2010, entitled *Charter of Budget Honesty Amendment (Independent Election Costings) Bill 2009*. The object of the Bill was to amend the *Charter of Budget Honesty (Election Promises Costing) Act*:
- (a) to require the Auditor-General to prepare costings of election policies and the budget impact statements that are released 5 days before a State election, instead of the Secretary of the Treasury, who currently prepares the costings and statements,
  - (b) to enable the Premier or the Leader of the Opposition to request a costing of an election policy by the Auditor-General at any time after the latest State election before a State election, not only in the period 60 days before a State election, and
  - (c) to enable the Premier and the Leader of the Opposition to discuss, in confidence, the budgetary impact of an election policy with a member of the Auditor-General's staff.<sup>46</sup>
- 3.12 Mr Baird stated that the Bill would "put a costing process in place that is independent, gives due process and enables the community to know with confidence that when a policy is put forward it has been properly costed and planned and that appropriate experts have reviewed it."<sup>47</sup>

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<sup>43</sup> NSW Legislative Assembly, Hansard, 17 October 2006, Mr Morris Iemma, p. 2687.

<sup>44</sup> NSW Legislative Assembly, Hansard, 17 October 2006, Mr Morris Iemma, p. 2687. See also *Charter of Budget Honesty (Election Promises Costing) Act 2006*, ss 5 & 11.

<sup>45</sup> Commonwealth Joint Select Committee on the Parliamentary Budget Office. Submission no. 1. Legislative Council – NSW Parliament, p. 2.

<sup>46</sup> *Charter of Budget Honesty Amendment (Independent Election Costings) Bill 2009*, explanatory note.

<sup>47</sup> NSW Legislative Assembly, *Hansard*, 23 April 2010, Mr Mike Baird, p. 22232.

- 3.13 However, the Bill did not proceed past the Agreement in Principle stage and eventually lapsed in December 2010.
- 3.14 On 12 May 2010 the Government introduced its own Bill - the Charter of Budget Honesty (Election Promises Costing) Amendment Bill 2010 – to amend the Charter of Budget Honesty (Election Promises Costing) Act.
- 3.15 The object of the Bill was to amend the Act to "require the Auditor-General to review Treasury costings of election promises", as well as requiring an independent financial consultant to be engaged to assist in the preparation of Treasury costings and budget impact statements.<sup>48</sup>
- 3.16 In his Agreement in Principle speech, the then-Parliamentary Secretary stated that the Bill enhanced the impartial framework for costing election promises "by providing for independent oversight by the Auditor General of the costing of election promises made by the Government and Opposition".<sup>49</sup> He also maintained that the Bill "honours the commitment made by the Premier in March to request the Auditor General to cost election promises of both the Government and the Opposition".<sup>50</sup>
- 3.17 However, this Bill did not pass Parliament either. In a submission to the Commonwealth Joint Select Committee on the Parliamentary Budget Office the Clerk of the Legislative Council explained that:

...the Bill was significantly amended in the Legislative Council by the Opposition and the Greens to provide that costings would be undertaken by an independent consultant with oversight by the Audit Office rather than being undertaken by the Treasury.

Following its amendment in the Legislative Council, *the Charter of Budget Honesty (Election Promises Costing) Amendment Bill 2010* was not progressed by the Government in the Legislative Assembly. However, the Government subsequently introduced the *Parliamentary Budget Officer Bill 2010* which provided for the repeal of the *Charter of Budget Honesty (Election Promises Costing) Act 2006* and the establishment of a new framework for the costing of election promises.<sup>51</sup>

### Parliamentary Budget Officer Bill 2010

- 3.18 The Parliamentary Budget Officer Bill 2010 was introduced on 19 October 2010. The Bill established the position of Parliamentary Budget Officer as an independent officer of Parliament and repealed the *Charter of Budget Honesty (Election Promises Costing) Act 2006*.<sup>52</sup>
- 3.19 According to the explanatory note to the Bill, the object of the Bill was to establish the Parliamentary Budget Officer as an independent officer of Parliament with the following functions:

<sup>48</sup> *Charter of Budget Honesty (Election Promises Costing) Amendment Bill 2010*, explanatory note.

<sup>49</sup> NSW Legislative Assembly, *Hansard*, 12 May 2010, Mr John Aquilina, p. 22581.

<sup>50</sup> NSW Legislative Assembly, *Hansard*, 12 May 2010, Mr John Aquilina, p. 22581.

<sup>51</sup> Commonwealth Joint Select Committee on the Parliamentary Budget Office. Submission no. 1. Legislative Council – NSW Parliament, p. 2.

<sup>52</sup> *Parliamentary Budget Officer Act 2010*, ss 5, 31.

- (a) preparing costings of election policies for parliamentary leaders and Independent members (including a budget impact statement for all their policies) in the period prior to a State general election,
- (b) preparing costings of proposed policies of members of Parliament at the request of the member at any time during the year,
- (c) providing to members of Parliament analysis, advice and briefings of a technical nature on financial, fiscal and economic matters (including in relation to the costing of proposals included in the State budget).<sup>53</sup>

3.20 In his second reading speech the then-Treasurer stated that the Bill repealed the Charter of Budget Honesty (Election Promises Costing) Act, but retained "the best elements of the costing process from the former Act." The critical difference being that an independent Parliamentary Budget Office would undertake all costings, instead of the Treasury.<sup>54</sup>

3.21 The then-Treasurer explained that the former Act had provided a framework for costing election promises in the lead-up to the New South Wales Election. However, it had been criticised due to a perceived bias by Treasury towards the incumbent Government. The *Parliamentary Budget Officer Bill 2010* intended to ensure that there would be a high quality and independent election costing process in place that was beyond any criticism concerning impartiality or independence.<sup>55</sup>

3.22 The independence of the Parliamentary Budget Officer from the Government of the day was an important factor in the Bill. In his second reading speech, the then-Treasurer noted that the officer would be accountable to Parliament rather than the Executive:

Importantly, the Parliamentary Budget Officer will be accountable to the Parliament, not the Executive, in order to increase accountability and transparency between the legislature and the Executive, in regard to budget information and analysis, including costing of commitments made during election campaigns.<sup>56</sup>

3.23 Ensuring the independence of the PBO was also cited as the rationale behind the initial nine year term of appointment of the Officer:

The Parliamentary Budget Officer will possess security of tenure for an initial period of nine years in order to ensure the true independence of the office.<sup>57</sup>

3.24 The then-Treasurer noted that the Officer would have significant flexibility to act, within the confines of the Act, as well as the ability to request information from Government agencies and inform him/herself on any matter:

The Parliamentary Budget Officer will also be given significant flexibility to act as he or she sees fit, limited to its functions as per the Act and the Operational Plan. The

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<sup>53</sup> *Parliamentary Budget Officer Bill 2010*, explanatory note

<sup>54</sup> NSW Legislative Council, *Hansard*, 26 October 2010, The Hon. Eric Roozendaal, p. 26672.

<sup>55</sup> NSW Legislative Council, *Hansard*, 26 October 2010, The Hon. Eric Roozendaal, p. 26672.

<sup>56</sup> NSW Legislative Council, *Hansard*, 26 October 2010, The Hon. Eric Roozendaal, p. 26671.

<sup>57</sup> NSW Legislative Council, *Hansard*, 26 October 2010, The Hon. Eric Roozendaal, p. 26671.



Parliamentary Budget Officer may inform him/herself on any matter and in any way, may consult with anyone he or she thinks fit, may receive written or oral information or submissions, may establish working groups and task forces and may request information from government departments and agencies.<sup>58</sup>

3.25 A significant difference between the costing of election promises under this Bill and the previous Charter of Budget Honesty (Election Promises Costing) Act was that the Bill provided for any parliamentary leader, including Independent members and leaders of minor parties in the Parliament, to request costings to be prepared. The previous Act had only allowed the Premier and the Leader of the Opposition to request costings.

3.26 Despite the importance of the costing function of the Parliamentary Budget Officer, the Officer would also have a role in providing analysis and advice to members of Parliament. The then-Treasurer drew attention to this role for the PBO in his second reading speech:

The scope of work of the PBO will not be limited to the costing of commitments or policies made during an election campaign—although this is an important and critical role that it will play—but will extend outside election periods to ensure that it has an ongoing role in providing independent economic and financial analysis and advice to members of Parliament on a range of matters, such as the costing of bills introduced to Parliament and economic briefs on important public policy issues.<sup>59</sup>

3.27 The Bill was amended in the Legislative Council - including an amendment to ensure that a parliamentary leader could only request costings for their own party's policies<sup>60</sup> - and subsequently passed by Parliament on 28 October 2010.

3.27A In the 2011 State Election, the Government used the PBO, while the Opposition did not.

3.28 The next section of the report considers in further detail the provisions of the *Parliamentary Budget Officer Act 2010*.

## SUMMARY OF THE *PARLIAMENTARY BUDGET OFFICER ACT 2010*

3.29 As noted previously, the Parliamentary Budget Officer has three main functions which are conferred by the *Parliamentary Budget Officer Act 2010*. Those functions are:

- the preparation of election policy costings;
- the preparation of non-election policy costings; and
- providing members of Parliament analysis, advice or briefings of a technical nature on financial, fiscal and economic matters.<sup>61</sup>

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<sup>58</sup> NSW Legislative Council, *Hansard*, 26 October 2010, The Hon. Eric Roozendaal, p. 26672.

<sup>59</sup> NSW Legislative Council, *Hansard*, 26 October 2010, The Hon. Eric Roozendaal, p. 26671.

<sup>60</sup> NSW Legislative Council, *Minutes of Proceedings*, 26 October 2010, p. 2139.

<sup>61</sup> *Parliamentary Budget Officer Bill 2010*, explanatory note

3.29A The passage of the PBO Act in late 2010 did not allow time for the PBO to exercise its functions in respect of: the preparation of non-election policy costings; and providing members of Parliament analysis, advice or briefings of a technical nature on financial, fiscal and economic matters. Subsequent to the 2011 Election, finances and personnel were not available to the PBO to fully exercise these functions. It is noted that the Government announced an inquiry into the PBO in 2011.

### Election policy costings

3.30 Part 4 of the Act sets out the provisions relating to election policy costings. It provides that requests for election policy costings may only be made by a parliamentary leader, and may only be made in relation to their own party's policies that are announced or proposed for implementation after the next State Election.<sup>62</sup>

3.31 For the purposes of the Act, a parliamentary leader means one of the following:

- the Premier,
- the Leader of the Opposition,
- an Independent member of Parliament, or
- a member of Parliament who is nominated as the leader of a registered party.<sup>63</sup>

3.32 The period during which election costing requests can be made commences on the day that the last State Budget before an election is presented to Parliament. This will usually be in June, before an election in March the following year. However, for the 2011 State Election, the period officially commenced on 25 January 2011.<sup>64</sup>

3.33 Costing requests must be in writing, outline fully each policy to be costed (giving all relevant details), and state the purpose or intention of the policy.<sup>65</sup> The Parliamentary Budget Officer may issue guidelines about how to make election costing requests and about the preparation of election costings.<sup>66</sup>

3.34 If the Parliamentary Budget Officer requires further information in order to prepare a costing, the Officer may ask the relevant parliamentary leader to provide that information.<sup>67</sup>

3.35 After receiving a costing request the Parliamentary Budget Officer is to prepare a costing of the policy as soon as possible and to provide the completed costing to

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<sup>62</sup> *Parliamentary Budget Officer Act 2010*, s 18

<sup>63</sup> *Parliamentary Budget Officer Act 2010*, s 3. Note also that s 27 of the Act provides for a nominee to act on behalf of a parliamentary leader in regard to the provisions of Part 4 of the Act.

<sup>64</sup> *Parliamentary Budget Officer Act 2010*, s 19. Although the legislated commencement date was 25 January 2011, the period effectively began on 2 February 2011 when the Acting Parliamentary Budget Officer was appointed.

<sup>65</sup> *Parliamentary Budget Officer Act 2010*, s 18

<sup>66</sup> *Parliamentary Budget Officer Act 2010*, s 25

<sup>67</sup> *Parliamentary Budget Officer Act 2010*, s 21

the parliamentary leader who made the request. The Officer must notify the leader if they are unable to complete the costing.<sup>68</sup>

- 3.36 A parliamentary leader may withdraw an election costing request at any time before the costing is completed and provided to the leader.<sup>69</sup>

*Public release of election policy costings*

- 3.37 Section 21 of the Act requires a parliamentary leader to notify the Parliamentary Budget Officer when a costed policy has been publicly announced.<sup>70</sup>

- 3.38 Section 22 of the Act requires the officer to publicly release an election costing when notified by the relevant parliamentary leader that the policy has been announced. The leader may also release a costing that has been provided to them.<sup>71</sup>

- 3.39 This section of the Act does not permit the Parliamentary Budget Officer to publicly release a costing until the officer receives notification from the relevant parliamentary leader, even if the officer has reason to believe that the policy has been publicly announced.

- 3.40 If the Parliamentary Budget Officer considers that a costing has been publicly misrepresented, then the officer may issue a public statement to correct the misrepresentation.<sup>72</sup>

*Budget impact statement*

- 3.41 Towards the end of the pre-election period the Parliamentary Budget Officer is required to release a budget impact statement for each parliamentary leader who has submitted election policies for costing.

- 3.42 According to the Act, a budget impact statement must list all of the relevant policies that have been costed for a parliamentary leader and show:

- a summary of the assessed financial impact of each costed policy, and
- the total net financial impact of all the costed policies (including the impact on the State's net financial liabilities),

on the current year's State budget and on the forward estimates for the following three years.<sup>73</sup>

- 3.43 The Parliamentary Budget Officer is to provide a draft budget impact statement to each parliamentary leader 15 days before the election. The leader then has 48 hours to notify the Parliamentary Budget Officer of any changes to the list of policies that should be included in their budget impact statement.

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<sup>68</sup> *Parliamentary Budget Officer Act 2010*, s 21

<sup>69</sup> *Parliamentary Budget Officer Act 2010*, s 20

<sup>70</sup> *Parliamentary Budget Officer Act 2010*, s 21

<sup>71</sup> *Parliamentary Budget Officer Act 2010*, s 22

<sup>72</sup> *Parliamentary Budget Officer Act 2010*, s 22

<sup>73</sup> *Parliamentary Budget Officer Act 2010*, s 23

- 3.44 The Parliamentary Budget Officer is to revise the budget impact statement according to any such notification, and then publicly release the final budget impact statement five days before the election. At this time the Officer must also release all of the election costing requests and completed costings that make up the budget impact statement.<sup>74</sup>
- 3.45 Under this section of the Act, any costing that was included in the budget impact statement, but not previously publicly released, would be published at the same time as the budget impact statement. In this sense, inclusion in a parliamentary leader's list of policies for the budget impact statement acts as the leader's notification that a policy has been publicly announced.

### Other functions of the Parliamentary Budget Officer

- 3.46 Aside from costing election policies, the Parliamentary Budget Officer has two other functions. These are the costing of (non-election time) policies proposed by a member of Parliament; and providing analysis, advice or technical briefings on financial, fiscal and economic matters to a member of Parliament.

#### *Non-election costings*

- 3.47 At any time, any member of Parliament may ask the Parliamentary Budget Officer to prepare a costing outside of the election cycle.<sup>75</sup> There are two main distinctions between election policy costings and non-election costings.
- 3.48 The first is that, for non-election costings, any member of Parliament may request the Parliamentary Budget Officer to "prepare a costing of a proposed policy of the member of Parliament." Whereas election costings may only be requested by parliamentary leaders.<sup>76</sup>
- 3.49 The second distinction is that non-election costings remain confidential, whereas election costings must be publicly released when a parliamentary leader notifies the Parliamentary Budget Officer that the policy has been publicly announced.<sup>77</sup>

#### *Technical briefings, analysis and advice*

- 3.50 The Parliamentary Budget Officer may, at the request of a member of Parliament, "provide any analysis, advice or briefing of a technical nature on financial, fiscal and economic matters (including in relation to the costing of proposals included in the State budget)."<sup>78</sup>
- 3.51 Technical briefings prepared under section 13 of the Act are not subject to the confidentiality provisions outlined in section 17 of the Act. Nonetheless the Act is silent about whether the Parliamentary Budget Officer may make the technical briefings public. In practice, the Acting Parliamentary Budget Officer chose only

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<sup>74</sup> *Parliamentary Budget Officer Act 2010*, s 23

<sup>75</sup> *Parliamentary Budget Officer Act 2010*, s 13

<sup>76</sup> *Parliamentary Budget Officer Act 2010*, s 13, s 18

<sup>77</sup> *Parliamentary Budget Officer Act 2010*, s 17, s 22. See para 3.53 for further information about the confidentiality provisions in the Act.

<sup>78</sup> *Parliamentary Budget Officer Act 2010*, s 13,

to publish those briefings that had been made public by the member of Parliament who requested them.<sup>79</sup>

3.52 The functions of the Parliamentary Budget Officer do not extend to:

- (a) providing any analysis, advice or briefing to committees of Parliament, or
- (b) developing policy proposals on behalf of members of Parliament.<sup>80</sup>

### Confidentiality of information relating to costings

3.53 Under section 17 of the Act, information or documents provided to the Parliamentary Budget Officer by members of Parliament or prepared by the officer in relation to costings (both election and non-election costings) are confidential and may only be disclosed to the member who requested the costing, or to other PBO staff.

3.54 However, the clause does not apply in the following circumstances:

- if the information is required to be published under the Act; or
- if the information has already been lawfully published; or
- if the person disclosing the information became aware of it other than in the course of costing a policy.<sup>81</sup>

### Access to Government agencies

3.55 The Parliamentary Budget Officer may request information from Government agencies to assist in the preparation of election costings or other policy costings. The head of the Government agency must respond within 10 business days, however, as outlined below, the agency is not required to provide the information if there is an overriding public interest against disclosing it:

The head of the Government agency is not required to provide information in response to such a request if there is an overriding public interest against the disclosure of the information for the purposes of the *Government Information (Public Access) Act 2009* or if access to the information would otherwise be denied under that Act. The head of the agency is to inform the Parliamentary Budget Officer of the reason for not providing the information.<sup>82</sup>

3.56 As with the confidentiality provisions in the Act, there is no mention of the Parliamentary Budget Officer's access to Government agencies in relation to the advice, analysis and technical briefing function of the Officer.

### Pre-election statement of uncommitted funds

3.57 Section 24 of the Act requires the Secretary of Treasury to publicly release a pre-election statement of uncommitted funds. The statement outlines the "amount

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<sup>79</sup> See [www.parliament.nsw.gov.au/prod/web/common.nsf/key/TechnicalBriefs](http://www.parliament.nsw.gov.au/prod/web/common.nsf/key/TechnicalBriefs)

<sup>80</sup> *Parliamentary Budget Officer Act 2010*, s 13

<sup>81</sup> *Parliamentary Budget Officer Act 2010*, s 17

<sup>82</sup> *Parliamentary Budget Officer Act 2010*, s 16

of uncommitted funds that are available (within the revised estimates of recurrent and capital expenditures) to meet any future expenditure commitments for the General Government Sector" for the current year and the following three years.<sup>83</sup>

- 3.58 The statement of uncommitted funds is to be released at the same time as the pre-election half-yearly budget review. This will usually occur in December, before an election in March the following year.
- 3.59 Prior to the 2011 State Election the statement of uncommitted funds was released on 15 December 2010. However, Treasury also released an updated statement of uncommitted funds on 27 January 2011.<sup>84</sup>

## STRUCTURE, STAFFING AND RESOURCES

### Appointment

- 3.60 Under section 6 of the Parliamentary Budget Officer Act, the Parliamentary Budget Officer is to be appointed by the Presiding Officers of the NSW Parliament from a shortlist of candidates recommended by a panel made up of the Ombudsman, the Information Commissioner and the Chairperson of the Independent Pricing and Regulatory Tribunal.<sup>85</sup>
- 3.61 The term of appointment is between four and nine years, and the Officer can be re-appointed but cannot hold office for more than nine years in total. The first person appointed to the position is to be appointed for nine years, and is not eligible for re-appointment.<sup>86</sup>
- 3.62 The Act also provides for an Acting Parliamentary Budget Officer to be appointed during the absence or vacancy in the position of the Parliamentary Budget Officer.<sup>87</sup>
- 3.63 Mr Tony Harris was appointed Acting Parliamentary Budget Officer on 3 February 2010.<sup>88</sup> Mr Harris's appointment concluded on 10 May 2011.

### Staffing

- 3.64 Section 11 of the Act provides that "Parliamentary staff may be employed by the Presiding Officers to assist the Parliamentary Budget Officer to exercise his or her functions. Those staff comprise the Parliamentary Budget Office."<sup>89</sup> The Parliamentary Budget Officer may also engage consultants, who, for the purposes of the Act, are taken to be staff of the PBO.

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<sup>83</sup> *Parliamentary Budget Officer Act 2010*, s 24

<sup>84</sup> NSW Treasury, 2010, *Statement of Uncommitted Funds*, 15 December 2010; and NSW Treasury, 2011, *Update to the Statement of Uncommitted Funds*, 27 January 2011.

<sup>85</sup> *Parliamentary Budget Officer Act 2010*, s 6

<sup>86</sup> *Parliamentary Budget Officer Act 2010*, s 6

<sup>87</sup> *Parliamentary Budget Officer Act 2010*, s 8

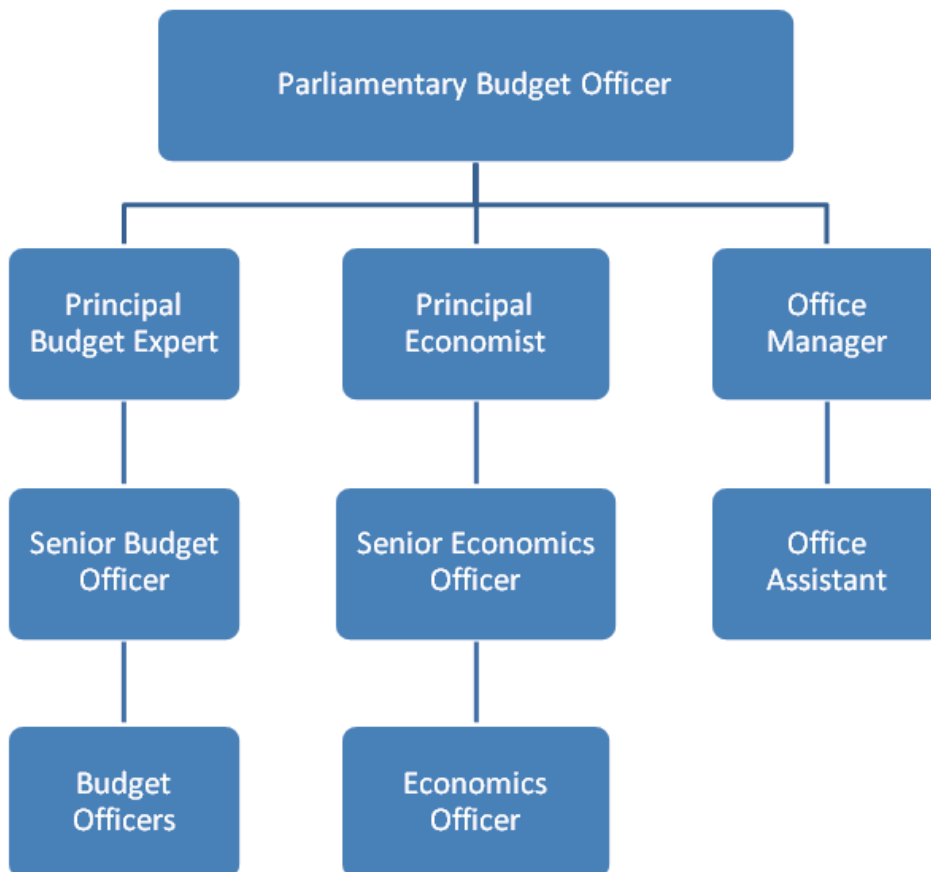
<sup>88</sup> Parliamentary Budget Office. 2011. *Proposed Operational Plan*, p. 1.

<sup>89</sup> *Parliamentary Budget Officer Act 2010*, s 11

- 3.65 While the staff of the PBO are officially under the joint control of the Presiding Officers, the staff may only be given directions by the Parliamentary Budget Officer, or another staff member of the PBO.<sup>90</sup>
- 3.66 The Act does not specify the number of staff that would make up the PBO. However, in his Agreement in Principle speech on the Parliamentary Budget Officer Bill 2010 the then-Treasurer envisaged that "the office would require approximately 12 to 16 qualified and experienced economists, accountants and financial analysts covering the key spending areas, and the requisite support staff."<sup>91</sup>

*Proposed organisation chart of the Parliamentary Budget Office*

- 3.67 The following figure is the proposed organisation chart from the Parliamentary Budget Office's website. The chart outlines the positions expected to make up the Office, although it does not indicate the number of staff allocated to each position.



**Figure 1: Proposed organisation chart of the Parliamentary Budget Office.**<sup>92</sup>

<sup>90</sup> *Parliamentary Budget Officer Act 2010*, s 11

<sup>91</sup> NSW Legislative Council, *Hansard*, 26 October 2010, The Hon. Eric Roozendaal, p. 26672.

<sup>92</sup> Parliamentary Budget Office website, accessed 9 September 2011, [www.parliament.nsw.gov.au/prod/web/common.nsf//key/StaffoftheParliamentaryBudgetOffice](http://www.parliament.nsw.gov.au/prod/web/common.nsf//key/StaffoftheParliamentaryBudgetOffice).

*Actual staff employed by or seconded to the Parliamentary Budget Office*

- 3.68 The PBO has, thus far, not engaged any permanent staff, nor has it ever had the full contingent of staff envisaged by the then-Treasurer.
- 3.69 While in operation, the PBO consisted of staff seconded from the Parliament, NSW Treasury and other departments.<sup>93</sup> The Office is currently unstaffed.

*Resources*

- 3.70 The proposed budget of the Parliamentary Budget Office was for an amount of "up to \$4 million, recurrent and capital funding combined, in 2010-2011 in order to establish the Parliamentary Budget Office, and then up to \$3 million (recurrent) in 2011-2012 to 2018-2019 for the ongoing operational costs for the Office."<sup>94</sup>

**ACTIVITIES OF THE BUDGET OFFICE**

*Establishment of the Office*

- 3.71 The Parliamentary Budget Office was established with the appointment of Mr Tony Harris as the Acting Parliamentary Budget Officer on 3 February 2011.
- 3.72 One of the early duties carried out by Mr Harris was the preparation of an operational plan – including the objectives of the PBO, a broad outline of the strategies to achieve those objectives, and a schedule of the proposed activities of PBO - as required under section 14 of the Act.<sup>95</sup>
- 3.73 The operational plan covered the period from February 2011 to April 2011, as a new plan would be required after the Election.<sup>96</sup>
- 3.74 The operational plan prepared by Mr Harris – a copy of which can be found at Appendix Three – highlighted the immediate priority of the PBO:

At this point in the election cycle, the first goal is to meet quickly and accurately requests of leaders of political parties and Independent members of parliament for a costing of announced or proposed election policies.<sup>97</sup>

- 3.75 In order to meet the deadlines set out in the legislation, a number of staff from within the NSW Parliament were seconded to the PBO immediately; and shortly thereafter a number of staff with costing skills and economic and financial training were seconded from other Government agencies.<sup>98</sup>

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<sup>93</sup> Parliamentary Budget Office. 2011. *Proposed Operational Plan*, p. 1. & Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 1.

<sup>94</sup> NSW Legislative Assembly, *Hansard*, 19 October 2010, Mr Michael Daley, p. 26230.

<sup>95</sup> *Parliamentary Budget Officer Act 2010*, s 14. Section 14 of the Act requires an operational plan to be prepared as soon as practicable after the commencement of relevant part of the Act, and again after each state election.

<sup>96</sup> Parliamentary Budget Office. 2011. *Proposed Operational Plan*, p. 1.

<sup>97</sup> Parliamentary Budget Office. 2011. *Proposed Operational Plan*, p. 1.

<sup>98</sup> Parliamentary Budget Office. 2011. *Proposed Operational Plan*, p. 2.



3.76 The most immediate activities undertaken by the Acting Parliamentary Budget Officer and the staff of the PBO involved setting up the Office and implementing guidelines and procedures for the costing of election policies.<sup>99</sup>

*Pre-election activities*

3.77 The following table details the number of costing requests that were received by the PBO, as well as the number of costings that were completed and published prior to the Election.

**Table 2: Election policy costings undertaken prior to the 2011 Election.**<sup>100</sup>

Date	No. of costing requests received	No. of costing requests completed	No. of costings posted on website
Thursday, 10 March 2011	38	11	
Friday, 11 March 2011	41	34	
Monday, 14 March 2011		7	
Tuesday, 15 March 2011		14	
Wednesday, 16 March 2011			
Thursday, 17 March 2011			
Friday, 18 March 2011	6		
Monday, 21 March 2011	29	6	67
Tuesday, 22 March 2011	2	6	14
Wednesday, 23 March 2011		17	11
Thursday, 24 March 2011		15	6
Friday, 25 March 2011		5	13

Total number of costing requests received: 116

Total number of costing requests completed: 115

Total number of costing requests published: 111

Average turnaround time from receipt to completion of costing: 3.1 days

Average turnaround time from receipt to publication on PBO website: 8.4 days

3.78 Of the 111 costings that were completed by the PBO, the vast majority related to election policies of the Australian Labor Party. One of the published costings related to an election policy of the Greens. The Liberal-National Party Coalition did not submit any election policies for costing by the PBO.<sup>101</sup>

3.79 While the majority of costing requests were received from Labor, Mr Harris was critical of the timeliness of these requests. The above table shows that the earliest requests were received on 10 March 2011, just two days before the PBO was required to provide a draft budget impact statement to the relevant parliamentary leader in relation to his or her policies. As a result, the budget

<sup>99</sup> Parliamentary Budget Office. 2011. *Proposed Operational Plan*, p. 3.

<sup>100</sup> Submission No. 1, Mr Tony Harris, p. 8.

<sup>101</sup> Submission No. 1, Mr Tony Harris, p. 5.

impact statement included only 42 (less than half) of the election policies of the Labor Party.<sup>102</sup>

- 3.80 During the Committee's public hearing on 21 September 2011, Mr Harris commented on the assistance provided by Government departments, particularly the Treasury and staff seconded from the Treasury to the PBO, which allowed the PBO to complete a significant amount of election costings in a very short period:

In the exercise we undertook before the last election departments were very forthcoming and helpful. The time requirements in the Act would have frustrated the Parliamentary Budget Office's work had they been seen by departments as the minimum time but they accelerated their provision of assistance to the Parliamentary Budget Office and that was a tremendous help. No department was tardy in that provision of assistance. In the same circumstances in future that would be a very important part of the armoury of the Parliamentary Budget Office.

The extraordinarily limited time that the Parliamentary Budget Office had on the occasion of the last election required the expertise of Treasury officers seconded from Treasury to the Parliamentary Budget Office and it required their relationships with other analysts back in Treasury to assist the rapid affirmation or rapid assessment of costings which Treasury had previously done.<sup>103</sup>

- 3.81 However, Mr Harris also explained that the costing exercise undertaken by the PBO prior to the last election mostly involved checking work that had already been completed by Treasury and, in his view, was probably not ideal:

We undertook very few original costings and very few of our costings differed materially from those provided to the Government by Treasury. It probably was not ideal for a Parliamentary Budget Office costings exercise. It was not an original costing that was undertaken; it was a check costing. We were basically checking the work Treasury had previously done for the Government using the relationships between the secondment of Treasury staff and the original Treasury staff. That was probably as skimpy a costing exercise as you would wish the Parliamentary Budget Office to undertake.<sup>104</sup>

### *Post election activities*

- 3.82 Following the Election the analysis, research and briefing function became the focus of the PBO's work.

- 3.83 The PBO's website notes that the briefings prepared by the Office remained confidential unless published by the member who requested them:

The Act does not empower the Parliamentary Budget Officer to publicly release such briefings. However, the following briefings have been made public by the member of Parliament that requested them.

- 3.84 While the PBO may have prepared a number of briefings on behalf of members of Parliament, only one briefing was made public and subsequently published on the PBO's website. This briefing was dated 2 May 2011, and was comprehensively

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<sup>102</sup> Submission No. 1, Mr Tony Harris, p. 5.

<sup>103</sup> Mr Tony Harris, Transcript of evidence, 21 September 2011, pp. 1.

<sup>104</sup> Mr Tony Harris, Transcript of evidence, 21 September 2011, pp. 2.

titled: *Analysis and Advice on the Details of the "Report on Variance between Mid Year (December 2010) and March 2011 Update" prepared for the NSW Premier and Treasurer by the acting Secretary to the NSW Treasury, Michael Lambert, and Analysis and Advice on Claims in the Associated Media Release of 27 April 2011, "Black Hole Blows Out Further" by the NSW Premier, The Hon Barry O'Farrell.*

- 3.85 The conclusion of Mr Harris's term as Acting Parliamentary Budget Officer on 10 May 2011 precluded the publication of further briefings by the PBO.<sup>105</sup>

## ACCOUNTABILITY AND OVERSIGHT MECHANISMS

- 3.86 The Parliamentary Budget Officer is appointed by, and in certain circumstances may be removed by, the Presiding Officers of the NSW Parliament.
- 3.87 Other accountability and oversight mechanisms relating to the Parliamentary Budget Officer include the requirement for the Officer to prepare an operational plan, and to report to two parliamentary committees.

### Removal of the Parliamentary Budget Officer

- 3.88 Earlier in this chapter the procedure for appointing the Parliamentary Budget Officer was outlined. There are also provisions in the Parliamentary Budget Officer Act for removing the officer. Section 9 of the Act provides that the Presiding Officers of the Parliament may remove the Parliamentary Budget Officer from office for misbehaviour, incapacity or incompetence.<sup>106</sup>
- 3.89 The position also becomes vacant if the Officer:
- dies,
  - completes a term of office and is not re-appointed,
  - resigns,
  - becomes bankrupt, applies to take the benefit of any law for the relief of bankrupt or insolvent debtors, compounds with his or her creditors or makes an assignment of his or her remuneration for their benefit, or
  - becomes a mentally incapacitated person, or
  - is convicted in New South Wales of an offence that is punishable by imprisonment for 12 months or more, or is convicted elsewhere than in New South Wales of an offence that, if committed in New South Wales, would be an offence so punishable.<sup>107</sup>

<sup>105</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 2.

<sup>106</sup> *Parliamentary Budget Officer Act 2010*, s 9

<sup>107</sup> *Parliamentary Budget Officer Act 2010*, s 9

## Operational Plan

- 3.90 As soon as possible after the commencement of Part 3 of the Act, and again after each State Election, the Parliamentary Budget Officer is required to prepare an operational plan that includes:
- (a) the objectives of the Officer in exercising his or her functions and a broad outline of the strategies of the Officer to achieve those objectives,
  - (b) a schedule of the activities that the Officer proposes to undertake.<sup>108</sup>
- 3.91 The draft operational plan must be submitted to the Presiding Officers for approval. The Presiding Officers may approve the plan or request changes to be made. After the draft plan has been approved, the Presiding Officers must table the approved plan in each House of Parliament.<sup>109</sup>
- 3.92 The Parliamentary Budget Officer is required, under section 14 of the Act, to "take the operation plan into account in the exercise of his or her functions."<sup>110</sup>
- 3.93 The inaugural operational plan of the Parliamentary Budget Officer was approved by the Speaker of the Legislative Assembly and the President of the Legislative Council on 6 April and 8 April 2011 respectively. The plan was then tabled in Parliament on 3 May 2011.

## Parliamentary Committees

- 3.94 Under section 15 of the Act, the Parliamentary Budget Officer is to report to two Parliamentary Committees, one committee from the Legislative Assembly and the other from the Legislative Council.
- 3.95 The Officer is required to furnish an annual report and the current operational plan to both designated committees. The committees may monitor and review the operations of the Parliamentary Budget Officer and report to their respective Houses of Parliament on any matter relating to the Officer.<sup>111</sup>

## Review of the Act

- 3.96 The Treasurer is required to review the *Parliamentary Budget Officer Act 2010* five years after the assent of the Act. The purpose of the review is to "determine whether the policy objectives of the Act remain valid and whether the terms of the Act remain appropriate for securing those objectives." At the completion of the review, a report on the outcome of the review is to be tabled in each House of Parliament.<sup>112</sup>

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<sup>108</sup> *Parliamentary Budget Officer Act 2010*, s 14

<sup>109</sup> *Parliamentary Budget Officer Act 2010*, s 14

<sup>110</sup> *Parliamentary Budget Officer Act 2010*, s 14

<sup>111</sup> *Parliamentary Budget Officer Act 2010*, s 15

<sup>112</sup> *Parliamentary Budget Officer Act 2010*, s 30

## Chapter Four – Comparative jurisdictions

- 4.1 Under the terms of reference for the Inquiry, the Committee may consider the establishment and operation of comparable offices in other jurisdictions. In this chapter, the Committee examines similar offices operating in the Netherlands, Canada, the United Kingdom and the United States.
- 4.2 In examining budget offices that have been established in other jurisdictions, the Committee provides details on the jurisdiction's size and political system and considers the legislation under which the relevant offices operate; the offices' functions and powers; structure, staffing and resources; as well as any accountability and oversight measures applying to the offices.
- 4.3 The Committee also outlines recent proposals to establish a Commonwealth Parliamentary Budget Office, and examines whether any similar offices have been established in other Australian jurisdictions.

### NETHERLANDS – BUREAU FOR ECONOMIC POLICY ANALYSIS

- 4.4 The population of the Netherlands is approximately 16 million. In 2010 the Netherlands had revenue of US\$359.7 billion, while expenditure totalled US\$401.5 billion. 2010 gross domestic product was US\$677 billion.<sup>113</sup>
- 4.5 The Netherlands is a constitutional monarchy. It has a bicameral Parliament with 75 members indirectly elected by 12 provincial councils to the First Chamber, and 150 members directly elected to the Second Chamber by popular vote. Members of both chambers serve four year terms.<sup>114</sup> The Dutch government is generally formed by coalition:

Elections for a new parliament are held every four years (provided the government maintains confidence in parliament; if not, elections are held earlier on). The Netherlands has a multiparty system where no single party can claim a majority in the parliament (at present, at least four parties are required for a majority). As a consequence, parties have to negotiate on which party is allowed/prepared to enter government immediately after the election date, aiming to form a coalition that commands a majority in parliament.<sup>115</sup>

### Relevant legislation

- 4.6 The Netherland's Bureau for Economic Policy Analysis (initially known as the Central Planning Bureau) began operating in 1945, and was formally established

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<sup>113</sup> CIA, The World Factbook: Netherlands, <https://www.cia.gov/library/publications/the-world-factbook/geos/nl.html> accessed 6 September 2011, 2010 population estimate, 2010 exchange rate

<sup>114</sup> CIA, The World Factbook: Netherlands, <https://www.cia.gov/library/publications/the-world-factbook/geos/nl.html> accessed 6 September 2011

<sup>115</sup> Submission 3, Netherlands Bureau for Economic Policy Analysis, p 21

under the *Law of April 21, 1947, containing the preparation of the assessment of a Central Economic Plan*.<sup>116</sup> The explanatory statement to the 1947 law:

... showed that CPB's tasks were limited to the provision of general social-economic insights on how economic policies could contribute to economic growth. A central issue was whether CPB should explicitly issue policy advice, or limit itself to analysing the effects of proposed policy measures. This latter option was chosen ...<sup>117</sup>

## Functions and powers

4.7 The Bureau is an independent research institute, set up to be a 'planning agency, which would supply the government with scientific knowledge and insights needed for active economic policy'.<sup>118</sup> The Bureau undertakes research on request from government, the Parliament, members of Parliament, trade unions, employer groups, and on its own initiative. Its role includes:

- The provision of the official estimates on economic growth, purchasing power and unemployment;
- Forecasts and analysis of Dutch public finance in short and medium term;
- Analysis of the sustainability of Dutch public finance;
- Analysis of the economic effects of the election plans of Dutch political parties and (provisional) coalition agreements;
- Cost-benefit analysis of major infrastructure projects;
- Studies on the best way to organize major areas of government revenue and expenditure, e.g. social security, health care, education, housing and taxation.
- Long run forward looking studies and many background studies.<sup>119</sup>

4.8 The Bureau issues quarterly forecasts of the development of the Dutch economy which 'provide a basis for extended social-economic decision-making in the Netherlands'. In addition, a medium term forecast covering a four year period is published at the start of the Dutch election cycle. This forecast 'offers a foundation for the development of policy plans by political parties and the negotiations for a new government after the general elections'.<sup>120</sup>

4.9 As noted above, the Bureau also conducts analysis of policy proposals put forward by candidates standing in Dutch elections, in addition to conducting a post-election analysis of policies for parties likely to form government:

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<sup>116</sup> Netherlands Bureau for Economic Policy Analysis, *Charting CPB's course*, December 2009, p 9, <http://www.cpb.nl/sites/default/files/charting-cpbs-course-dec2009.pdf> accessed 1 September 2011

<sup>117</sup> Netherlands Bureau for Economic Policy Analysis, History, <http://www.cpb.nl/en/history> accessed 31 August 2011

<sup>118</sup> Netherlands Bureau for Economic Policy Analysis, History, <http://www.cpb.nl/en/history> accessed 31 August 2011

<sup>119</sup> Submission 3, Netherlands Bureau for Economic Policy Analysis, p 9

<sup>120</sup> Netherlands Bureau for Economic Policy Analysis, What does CPB do?, <http://www.cpb.nl/en/what-does-cpb-do> accessed 1 September 2011

... CPB has offered interested political parties an analysis of the economic effects of the policy proposals in their election manifestos. The plans of the participating parties are analysed identically, thus offering voters a comprehensive tool for comparison of the parties, contributing to the transparency of the election process.

After the elections, CPB is often requested to analyse all or some of the policy proposals put forward during the negotiations for a new government. These analyses use the same methods as those used during the analysis of the election manifestos.<sup>121</sup>

- 4.10 The Bureau obtains information from government ministries and agencies such as Statistics Netherlands and the Dutch Central Bank.<sup>122</sup>

### Structure, staffing and resources

- 4.11 The Bureau is part of the Netherland's Ministry of Economic Affairs, Agriculture and Innovation. It is managed by a Director and two deputy directors and is divided into five sections supported by secretariats. Its director is appointed by the Minister, following consultation with other government members.<sup>123</sup> Each section of the Bureau is responsible for an area of economic research and analysis: public finance; macro-economics; labour and education; competition and regulation; and economic geography.<sup>124</sup> The Bureau employs approximately 150 full-time equivalent staff, including around 100 economists.<sup>125</sup>
- 4.12 The Bureau's Central Planning Committee – created under the 1947 law – is an independent advisory committee from academia and business, which meets regularly and advises Bureau management on its output and organisation.<sup>126</sup>
- 4.13 The Bureau is largely publicly financed. Limits are placed on the amount and type of external work it may undertake:

To ensure its independence, a maximum of twenty percent of its annual budget may originate from external assignments. However, CPB is not allowed to compete with commercial research bureaus, and external assignments are limited to local and national governments, European institutions or international governmental organisations.<sup>127</sup>

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<sup>121</sup> Netherlands Bureau for Economic Policy Analysis, What does CPB do?, <http://www.cpb.nl/en/what-does-cpb-do> accessed 1 September 2011

<sup>122</sup> Netherlands Bureau for Economic Policy Analysis, *Charting CPB's course*, December 2009, p 37, <http://www.cpb.nl/sites/default/files/charting-cpbs-course-dec2009.pdf> accessed 2 September 2011

<sup>123</sup> Netherlands Bureau for Economic Policy Analysis, About CPB, <http://www.cpb.nl/en/about-cpb> accessed 31 August 2011

<sup>124</sup> Netherlands Bureau for Economic Policy Analysis, Organisation, <http://www.cpb.nl/en/organisation> accessed 31 August 2011

<sup>125</sup> Submission 3, Netherlands Bureau for Economic Policy Analysis, p 18

<sup>126</sup> Netherlands Bureau for Economic Policy Analysis, Quality assessment, <http://www.cpb.nl/en/quality-assessment> accessed 31 August 2011

<sup>127</sup> Netherlands Bureau for Economic Policy Analysis, About CPB, <http://www.cpb.nl/en/about-cpb> accessed 31 August 2011

## Accountability and oversight

4.14 There are regular external reviews of the Bureau's output and organisation. Every five years, its Central Planning Committee engages a committee of independent, international experts to undertake a scientific review of the quality of its work, its management and organisation, and its work plan and practices.<sup>128</sup> These reviews include assessment of:

1. The scientific quality of CPB work and its value-added for policy;
2. The adequacy of the analyses in terms of the theories endorsed and the methods employed;
3. The quality of the forecasts;
4. The performance of CPB compared to foreign 'sister' institutes such as CEPII (France), ETLA (Finland), IFO (Germany) and NIESR (UK);
5. The dissemination of CPB products: outlets (including reports, articles, congresses, press releases), reach and impact;
6. The allocation of resources to subject areas: Does CPB cover the right topics, and is the allocation of resources to the topics adequate?
7. Organisation, management and HRM.<sup>129</sup>

4.15 The Bureau's work is also reviewed on a five yearly basis from a policy perspective, by a committee of policymakers and independent experts.<sup>130</sup> The Bureau also publishes the details of the modelling methods it uses in making its forecasts and analyses.

## CANADA – PARLIAMENTARY BUDGET OFFICER

4.16 Canada is a federation, with 10 provinces and 3 territories. It is a parliamentary democracy and a constitutional monarchy; under the Canadian Constitution the Parliament is made up of the Crown, the Senate and the House of Commons. The Governor General appoints people to the Senate to represent Canadian provinces and territories, while the House of Commons is made up of members elected by Canadians. Executive authority is vested formally in the Queen.<sup>131</sup>

4.17 In 2010, Canada's revenue amounted to US\$601 billion, while expenditure totalled US\$690 billion. It has a population of 34 million.<sup>132</sup>

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<sup>128</sup> Netherlands Bureau for Economic Policy Analysis, Quality Assessment, <http://www.cpb.nl/en/quality-assessment> accessed 1 September 2011

<sup>129</sup> Netherlands Bureau for Economic Policy Analysis, *Charting CPB's course*, December 2009, pp 7-8, <http://www.cpb.nl/sites/default/files/charting-cpbs-course-dec2009.pdf> accessed 1 September 2011

<sup>130</sup> Netherlands Bureau for Economic Policy Analysis, Quality Assessment, <http://www.cpb.nl/en/quality-assessment> accessed 1 September 2011

<sup>131</sup> Submission 2, Canadian Office of the Parliamentary Budget Officer, p 2 and CIA, The World Factbook: Canada, <https://www.cia.gov/library/publications/the-world-factbook/geos/ca.html> accessed 26 August 2011

<sup>132</sup> CIA, The World Factbook: Canada, <https://www.cia.gov/library/publications/the-world-factbook/geos/ca.html> accessed 26 August 2011, 2010 estimates using 2010 exchange rate, and Statistics Canada, <http://www.statcan.gc.ca/start-debut-eng.html> accessed 6 September 2011



## Relevant legislation

- 4.18 The Canadian Parliamentary Budget Officer was established under the *Federal Accountability Act*, which created several independent offices and officers to report to the Canadian Parliament on aspects of government administration.<sup>133</sup> The Act amended the *Parliament of Canada Act* to make provision for the appointment of the Parliamentary Budget Officer as an officer of the Library of Parliament, and to outline its mandate and powers. The first Parliamentary Budget Officer was appointed in March 2008.<sup>134</sup>

## Functions and powers

- 4.19 The mandate of the Canadian Parliamentary Budget Officer is to:
- (a) Provide independent analysis to the Senate and to the House of Commons about the state of the nation's finances, the estimates of the government and trends in the national economy.
  - (b) Undertake research into the nation's finances and economy on request, for the appropriate Finance and Public Accounts Committees of the Senate and House of Commons.
  - (c) Undertake research, when requested by a Senate or House of Commons committee, or a committee of both Houses with a mandate to consider the estimates of the government, into those estimates.
  - (d) Estimate the financial cost of any proposal that relates to a matter over which Parliament has jurisdiction, when requested to do so by a member of either House or by a committee either of either House or both Houses.<sup>135</sup>
- 4.20 The Canadian Parliamentary Budget Officer is entitled 'by request made to the deputy head of a department ... to free and timely access to any financial or economic data in the possession of the department that are required for the performance of his or her mandate.'<sup>136</sup> The Officer's entitlement to access information is limited by the *Access to Information Act*. The limitations relate to unauthorised personal information and Queen's Privy Council documents (unless the data is also contained in another document).<sup>137</sup>
- 4.21 The Officer may not disclose any financial or economic data obtained under this provision of the Act, unless it is necessary for the performance of their mandate and the data is not information on which limitations are placed by certain provisions of the *Access to Information Act*.<sup>138</sup>

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<sup>133</sup> Submission 2, Canadian Office of the Parliamentary Budget Officer, p 4

<sup>134</sup> Submission 2, Canadian Office of the Parliamentary Budget Officer, p 2 and Parliament of Canada Act, ss79.1-79.5, Submission 2, Annex A, pp 13-15

<sup>135</sup> Parliament of Canada Act, s 79.2

<sup>136</sup> Parliament of Canada Act, s 79.3(1)

<sup>137</sup> Parliament of Canada Act, s 79.3(2)

<sup>138</sup> Parliament of Canada Act, s 79.4. The limitations include: information gained in confidence from a foreign government, international organisations of States, government of a province, municipal or regional government or

- 4.22 The Canadian Parliamentary Budget Officer emphasises the importance of access to information in terms of his ability to perform his role:

The legislation does provide an information provision for the Parliamentary Budget Officer – including free and timely access to data, excluding of course data of a personal nature or deemed to be cabinet confidence. Access to information and expertise in an open and transparent operating model is essential for the Parliamentary Budget Officer to carry out the work.

... If the PBO is denied access to the requested information — or alternatively, when there is an unreasonable delay in providing the requested information, which effectively amounts to a denial of access ... the PBO will report the matter to Parliament.<sup>139</sup>

### Structure, staffing and resources

- 4.23 As noted above, the Canadian Parliamentary Budget Officer is an Officer of the Library of Parliament, appointed for a renewable term not exceeding five years.<sup>140</sup> The Officer may engage temporary assistance from people with necessary technical or specialist knowledge, and may also authorise Library of Parliament employees to assist them with the exercise of certain powers.<sup>141</sup>
- 4.24 In 2010-2011, the Officer employed 15 staff and had a budget of US\$2.8 million. The Office is made up of two divisions, both headed by an Assistant Parliamentary Budget Officer.
- 4.25 The Economic and Fiscal Analysis Division is staffed with economists and analyses economic trends and the nation's finances, including model based, short and medium term economic and fiscal projections and estimates of structural fiscal balances and long-term fiscal sustainability.
- 4.26 The Revenue and Expenditure Analysis Division is staffed with financial analysts and analyses costings of proposals and the estimates (appropriations). The work of the division has involved the use of peer review panels. The division has prepared analytical papers on potential costs for Private Member's Bills, as well as undertaking quarterly assessments of budget implementation reports and analysis of infrastructure spending.<sup>142</sup>

### Accountability and oversight

- 4.27 The Parliamentary Budget Officer reports to the Parliamentary Librarian, who reports to the Parliament's Presiding Officers. In terms of parliamentary oversight, the Parliamentary Library is overseen by the Joint Committee of the

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an aboriginal government (s13(1)); information which may be injurious to Federal-provincial affairs (s14); Information detrimental to the economic interests of Canada.

<sup>139</sup> Submission 2, Canadian Office of the Parliamentary Budget Officer, p 6

<sup>140</sup> Parliament of Canada Act, s 79.1(2) and (3). The Governor in Council selects the Officer from a list of three names submitted in confidence, through the Leader of the Government in the House of Commons, by a committee formed and chaired by the Parliamentary Librarian.

<sup>141</sup> Parliament of Canada Act, ss 79.5(2) and (3)

<sup>142</sup> Submission 2, Canadian Office of the Parliamentary Budget Officer, p 8

Library of Parliament, which conducted a review of the Budget Officer's operational model and budget in 2009.<sup>143</sup>

- 4.28 The Canadian Parliamentary Budget Officer is also subject to ongoing review by two statutory budget committees, as well as having his/her work reviewed by two expert panels: an economics panel and a health panel.<sup>144</sup>

## UNITED KINGDOM

- 4.29 In 2010 United Kingdom's expenditure was US\$1.154 trillion, while revenue was US\$926.7 billion. Gross domestic product was US\$2.173 trillion in 2010. Its population is estimated at 62 million.<sup>145</sup>

- 4.30 The United Kingdom is a parliamentary democracy and constitutional monarchy with a bicameral Parliament. The House of Lords has around 830 unelected peers - life peers, internally elected hereditary peers and bishops - while 650 members are elected to the House of Commons by popular vote to represent their constituency for terms of 5 years.<sup>146</sup>

## Office for Budget Responsibility

### *Relevant legislation*

- 4.31 The Office for Budget Responsibility was established on 17 May 2010 on an interim basis. It was subsequently established as a permanent body under the *Budget Responsibility and National Audit Act 2011*.

### *Functions and powers*

- 4.32 The Act provides that the duty of the Office is 'to examine and report on the sustainability of the public finances'.<sup>147</sup> As part of this duty, the Office is required to prepare:

- Fiscal and economic forecasts, and an assessment of the extent to which the fiscal mandate has been or is likely to be achieved - at least twice each financial year.
- An assessment of the accuracy of previously prepared fiscal and economic forecasts, and an analysis of the sustainability of the public finances - at least once each financial year.<sup>148</sup>

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<sup>143</sup> Parliament of the Commonwealth of Australia, Joint Select Committee on the Parliamentary Budget Office, *Inquiry into the Proposed Parliamentary Budget Office*, March 2011, p 74 and Submission 2, Canadian Office of the Parliamentary Budget Officer, p 11

<sup>144</sup> Parliament of the Commonwealth of Australia, Joint Select Committee on the Parliamentary Budget Office, *Inquiry into the Proposed Parliamentary Budget Office*, March 2011, p 74

<sup>145</sup> CIA, The World Factbook: United Kingdom, <https://www.cia.gov/library/publications/the-world-factbook/geos/uk.html> accessed 6 September 2011, 2010 exchange rate

<sup>146</sup> CIA, The World Factbook: United Kingdom, <https://www.cia.gov/library/publications/the-world-factbook/geos/uk.html> and UK Parliament, Members of the House of Lords, <http://www.parliament.uk/about/mps-and-lords/about-lords/> accessed 6 September 2011

<sup>147</sup> *Budget Responsibility and National Audit Act 2011*, s 4(1)

<sup>148</sup> *Budget Responsibility and National Audit Act 2011*, ss 4(3) and(4)

- 4.33 The Explanatory Note to the Budget Responsibility and National Audit Bill provides further detail on the object of the Office's role:

... Its main duty will be to examine and report on the sustainability of the public finances. In particular, the Office will produce economic and fiscal forecasts, which the Government intends to adopt as the "official" forecasts for the annual Budget. The Office will control the production of the forecasts and make all of the judgments that underpin them, independent of Government ministers; it will no longer be the Chancellor of the day who is responsible for these judgments. The Office will also undertake broader research and analysis into a range of issues relating to fiscal sustainability. In particular, the Office will produce long-term fiscal projections and analysis relating to the public sector balance sheet.<sup>149</sup>

- 4.34 Under the Act, any forecast, assessment or analysis prepared by the Office is to be included in a report, which must outline the factors taken into account in preparing the report including the main assumptions made and the main risks that were considered to be relevant.<sup>150</sup> Each report the Office prepares in performing its duty must be published, laid before Parliament and sent to the Treasury.<sup>151</sup>

- 4.35 The Office has the power to 'do anything calculated to facilitate, or conducive or incidental to, the carrying out of any of its functions.'<sup>152</sup>

- 4.36 Section 5 of the Act contains provisions on how the Office is to perform its role. The Office has complete discretion in the performance of its duty,<sup>153</sup> but must perform its duties objectively, transparently and impartially. It is also required to carry out its functions efficiently and cost-effectively. Where Government policies are relevant to the performance of its duties, the Office must consider the policies, but may not consider the possible effect of alternative policies.

- 4.37 In terms of the Office's right to information, the Act:

... provide[s] the Office with a right of access to all information held by any Minister of the Crown or Government department. The Office also has a right to assistance and explanation in relation to this information .... These rights apply only to information which the Office reasonably needs to perform its functions. This continues the current practice of using information held across Government to produce forecasts and analysis effectively (previously undertaken by the Treasury) and the Office will be entitled to receive all of the information that the Treasury has previously received.

Subsection (4) specifies that the Office will receive information in compliance with any statutory provision (such as the Data Protection Act 1998) or common law rules (such as duties of confidentiality). The Office will not have access to confidential

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<sup>149</sup> Budget Responsibility and National Audit Bill as introduced in the House of Lords on 21<sup>st</sup> October 2010, Explanatory Notes, p 2

<sup>150</sup> *Budget Responsibility and National Audit Act 2011*, ss 4(5) and(6)

<sup>151</sup> *Budget Responsibility and National Audit Act 2011*, s 8

<sup>152</sup> *Budget Responsibility and National Audit Act 2011*, Sch 1, cl 20

<sup>153</sup> Section 6 of the Act provides that the Charter for Budget Responsibility may include guidance about how the Office should perform its duty, particularly in relation to the time at which it is to prepare any forecast. It also provides that the Charter must not specify the methods by which the Office prepares its forecasts and assessments.

information relating to taxpayers and any information that is received will comply with data protection principles. ...<sup>154</sup>

### *Structure, staffing and resources*

- 4.38 The Office is a body corporate, headed by a three person Budget Responsibility Committee with knowledge and skills relevant to the Office's functions. The Committee is appointed by the Chancellor, with the agreement of the Treasury Committee of the House of Commons, and is supported by at least two non-executive members nominated by the Office.<sup>155</sup>
- 4.39 The Office has 16 permanent, dedicated staff. The Office recently appointed a seven person Advisory Panel of economic and fiscal experts who provide advice on its work program and methods on a *pro bono* basis.<sup>156</sup>

### *Accountability and oversight*

- 4.40 Under the Act, the Office is to prepare an annual report each financial year, which is published, tabled in Parliament and sent to Treasury. These reports must include an assessment by the non-executive committee of the extent to which the Office has performed its statutory duties.<sup>157</sup>
- 4.41 The Act also makes provision for external review of the Office, stating that at least once every 5 years the non-executive committee must appoint a person or body to review and report on the Office's reports, as determined by the Committee.<sup>158</sup> The review report must be published and laid before Parliament.
- 4.42 The Office has an Oversight Board – made up of the Budget Responsibility Committee along with two non-executive members – which 'ensures that effective arrangements are in place to provide assurance on risk management, governance and internal control.'<sup>159</sup>
- 4.43 The Office answers parliamentary questions on its forecasts and operations as well as giving oral and written evidence to parliamentary committees, which is published on its website or the Committee's website.

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<sup>154</sup> Budget Responsibility and National Audit Bill as introduced in the House of Lords on 21<sup>st</sup> October 2010, Explanatory Notes, <http://www.publications.parliament.uk/pa/ld201011/ldbills/023/en/11023en.pdf> accessed 26 August 2011, pp 8-9

<sup>155</sup> *Budget Responsibility and National Audit Act 2011*, Sch 1, cl 1 and Budget Responsibility and National Audit Bill as introduced in the House of Lords on 21<sup>st</sup> October 2010, Explanatory Notes, <http://www.publications.parliament.uk/pa/ld201011/ldbills/023/en/11023en.pdf> accessed 26 August 2011, pp 8-9

<sup>156</sup> UK Office of Budget Responsibility website, Who we are, <http://budgetresponsibility.independent.gov.uk/about-the-obr/who-we-are/> and Press notice, 'OBR names expert advisory panel', 23 March 2011, [http://budgetresponsibility.independent.gov.uk/wordpress/docs/obr\\_expert\\_advisory\\_panel\\_pn\\_23032011.pdf](http://budgetresponsibility.independent.gov.uk/wordpress/docs/obr_expert_advisory_panel_pn_23032011.pdf) accessed 29 August 2011

<sup>157</sup> *Budget Responsibility and National Audit Act 2011*, Sch 1, cl 15

<sup>158</sup> *Budget Responsibility and National Audit Act 2011*, Sch 1, cl 16. A person or body may only be appointed to undertake the review if they have knowledge or experience likely to be relevant to the performance of the Office's duty under section 4 of the Act.

<sup>159</sup> UK Office of Budget Responsibility website, Who we are, <http://budgetresponsibility.independent.gov.uk/about-the-obr/who-we-are/> accessed 29 August 2011

## House of Commons Scrutiny Unit

### *Relevant legislation*

4.44 The House of Commons Scrutiny Unit was not established by statute. It was established in November 2002, following the recommendations of three House of Commons committees that, in order to improve financial scrutiny by committees, 'the Committee Office should establish a unit specialising in public expenditure and pre-legislative scrutiny ...'<sup>160</sup> The House of Commons Commission subsequently allocated funding for the Unit, which is part of the House of Commons Committee Office.

### *Functions and powers*

4.45 The Scrutiny Unit's function is to improve the performance by the House of Commons of its scrutiny role, through its select committees, by complementing the work of committee staff. The Unit:

- Supports select committees and other comparable bodies within the House, mainly in terms of government expenditure, performance reporting and pre- and post legislative scrutiny;
- Provides staff for joint committees of both Houses established to scrutinise draft bills; and
- Supports the evidence-taking functions of House of Commons Public Bill Committees.<sup>161</sup>

4.46 The Unit performs its financial functions by conducting reviews - for departmental select committees - of departmental estimates, annual reports, resource accounts, performance information and government spending review settlements. The Unit produces suggested written questions to be put to departments, as well as conducting oral briefings prior to committee hearings to gather evidence, and assisting with drafting sections of committee reports on relevant issues. Unit staff also assist committees in their consideration of draft Bills by analysing departmental Impact Assessments, including cost-benefit analyses.

4.47 In addition, the Unit publishes annual reviews of departmental annual reports and papers on various subjects. It has also produced a booklet for members and staff on financial scrutiny, and a note on the role of Parliament in scrutinising planned and incurred public expenditure.<sup>162</sup>

4.48 The Unit's primary function is supporting House committees; it does not perform work for individual members of the House of Commons. It also does not:

- Cost Government legislation (apart from analysing Government Impact Assessments published with draft bills);

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<sup>160</sup> Submission 4, UK House of Commons Scrutiny Unit, p 1

<sup>161</sup> Submission 4, UK House of Commons Scrutiny Unit, p 3

<sup>162</sup> Submission 4, UK House of Commons Scrutiny Unit, pp 3-4

- Review Budget assumptions (these are audited by the National Audit Office);
- Scrutinise fiscal policy (this is done by the Treasury Committee); or
- Audit the accounts of central government and other public bodies and produce reports on the economy, efficiency and effectiveness with which they have used public money (this is the role of the National Audit Office).<sup>163</sup>

#### *Structure, staffing and resources*

- 4.49 The Unit has approximately 15 staff. It is headed by a House of Commons Clerk. Current staff include a Deputy Head seconded from the Department of Health, three financial analysts (an auditor on secondment from the National Audit Office and two departmental secondees), two legal specialists (a barrister and a solicitor); two economics specialists (an economist/statistician and a economist/financial analyst) and six administrative staff.<sup>164</sup>
- 4.50 The Unit is part of the Committee Directorate and has no separate budget.

#### *Accountability and oversight*

- 4.51 The Unit's submission notes that its work is usually not published. The Unit works for committees and its work generally consists of written briefings prepared to assist committees in their work. However, the Unit has published some material, including reviews of departmental annual reports, as noted above. In terms of assessing its performance, the Unit's submission refers to positive comments from the House of Commons Liaison Committee and the Hansard Society for Parliamentary Government. It also notes recommendations to increase the amount of scrutiny undertaken by select committees by increasing the size of the Unit.<sup>165</sup>

### SCOTTISH PARLIAMENT FINANCIAL SCRUTINY UNIT

- 4.52 Scotland has a population of around 5.2 million.<sup>166</sup> The Scottish Parliament is a unicameral assembly, created following devolution from the United Kingdom in 1999. It makes laws on devolved matters – including health, education, justice, housing and the environment – while the United Kingdom Parliament makes laws for Scotland and the rest of the United Kingdom on matters with national and international impact, such as immigration, defence, foreign policy, employment and trade and industry. Members of the Scottish Parliament are elected to a constituency seat or a regional seat. Each person in Scotland is represented by one constituency member and seven regional members.<sup>167</sup>

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<sup>163</sup> Submission 4, UK House of Commons Scrutiny Unit, p 5

<sup>164</sup> Submission 4, UK House of Commons Scrutiny Unit, pp 5-6

<sup>165</sup> Submission 4, UK House of Commons Scrutiny Unit, pp 8-9

<sup>166</sup> National Records of Scotland, *Mid-2010 Population Estimates Scotland*, 27 April 2011, p 5 <http://www.gro-scotland.gov.uk/files2/stats/population-estimates/mid-2010/mid-year-pop-est-2010.pdf> accessed 6 September 2011

<sup>167</sup> Scottish Parliament, Holyrood and Westminster – who does what?, <http://www.scottish.parliament.uk/vli/publicInfo/haw/documents/HAW.pdf> accessed 31 August 2011

## Relevant legislation

- 4.53 The Scottish Parliament's Financial Scrutiny Unit was not established under statute. It was set up in October 2009 on a pilot basis following a review of the budget process by the Parliament's Finance Committee, which recommended that the Parliament dedicate additional resources to financial scrutiny. The Parliament's Corporate Body conducted an evaluation of the Unit and determined in 2010 that it should continue on a permanent basis.<sup>168</sup>

## Functions and powers

- 4.54 The purpose of the Financial Scrutiny Unit is 'to provide independent analysis and support to committees of the Scottish Parliament and to individual Members on budgetary trends and issues, including independent costing of specific spending proposals, and providing research on all areas of the economy and public finances as they affect the Scottish Government and Parliament', with the following objectives:
- supporting and encouraging improved information and reporting;
  - supporting and encouraging more effective budget scrutiny;
  - providing financial costings and analysis; and
  - providing economic information and analysis.<sup>169</sup>
- 4.55 The Unit prioritises work for committees and members, with committee work being given priority over requests from individual members. The bulk of its work has been to support the Finance and Economy Committee and the Energy and Tourism Committee. The evaluation report on the Unit stated that, if it continued operating, 'developing support for other committees, for example, through analysis of costings of Government policy or programmes, accessing relevant information and supporting budget advisers, is likely to be a key area of development.'<sup>170</sup>
- 4.56 The evaluation report identified 'ready access to information at the right level of detail at the right time' as an area of risk, noting that reduced access could impede the ability of parliamentarians to scrutinise public finances. The report recommended that measures be put in place to ensure long term access to Government information, noting that legislative provisions exist in other jurisdictions.<sup>171</sup> The Unit's submission states that it has agreed to a protocol with the Scottish Government to ensure access to information, and that it 'generally experiences a high degree of co-operation. However, there is always room for

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<sup>168</sup> Submission 8, Scottish Parliament Financial Scrutiny Unit, p 1

<sup>169</sup> Scottish Parliament Corporate Body, Financial Scrutiny Unit: Evaluation and options for way forward, May 2010, p 1, [http://www.scottish.parliament.uk/corporate/organisation/documents/0519\\_paper\\_48.pdf](http://www.scottish.parliament.uk/corporate/organisation/documents/0519_paper_48.pdf) accessed 31 August 2011

<sup>170</sup> Submission 8, Scottish Parliament Financial Scrutiny Unit, Attachment: Financial Scrutiny Unit Evaluation, p 10

<sup>171</sup> Submission 8, Scottish Parliament Financial Scrutiny Unit, Attachment: Financial Scrutiny Unit Evaluation, pp 29-30



improvement, including the timely provision by the Government of the detailed figures in the draft budget.<sup>172</sup>

### Structure, staffing and resources

4.57 During the initial pilot period, the Unit employed approximately 6 full time staff: a principal research specialist heading the Unit, specialist researchers, secondees and a data manager. The Unit also contracted a panel of external experts to be used in case of fluctuations in workload. The Corporate Body's report recommended that the permanent body be established as a unit in the Parliament's Research, Information and Reporting Group.<sup>173</sup>

4.58 Eighty thousand pounds of the Commissioned Research budget was allocated to fund the Unit during its pilot phase. The Unit spent £60,000 during this period, due in part to secondees being provided free of charge. In terms of future budget, the evaluation report states that:

The running costs of the FSU in 2010-11 are expected to be approximately £350,000. These costs can be met in 2010-11 from within the SPCB's existing approved budget by transferring existing staff, and reallocating other financial resources from within the Research, Information and Reporting Group.<sup>174</sup>

### Accountability and oversight

4.59 The Unit is accountable to members and the committee it services, as well as to the Scottish Parliament's Corporate Body. The evaluation report notes that 'A single error could potentially severely damage the reputation of the FSU and SPICe. Quality control procedures are currently in place which ensure that high quality outputs are maintained.'<sup>175</sup>

## UNITED STATES OF AMERICA

4.60 The population of the United States is around 313 million. Revenue in 2010 was estimated at US\$2.162 trillion, with expenditure being US\$3.456 trillion. Gross domestic product in 2010 was US\$14.66 trillion.<sup>176</sup>

4.61 The United States has a bicameral Congress, with a 100 seat Senate and a 435 seat House of Representatives. Congress has the power to enact laws, declare war, and confirm or reject many Presidential appointments, as well as having wide investigative powers.

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<sup>172</sup> Submission 8, Scottish Parliament Financial Scrutiny Unit, p 1

<sup>173</sup> Scottish Parliament Corporate Body, Financial Scrutiny Unit: Evaluation and options for way forward, May 2010, pp 4-5, [http://www.scottish.parliament.uk/corporate/organisation/documents/0519\\_paper\\_48.pdf](http://www.scottish.parliament.uk/corporate/organisation/documents/0519_paper_48.pdf) accessed 31 August 2011

<sup>174</sup> Submission 8, Scottish Parliament Financial Scrutiny Unit, Attachment: Financial Scrutiny Unit Evaluation, p 8 and Scottish Parliament Corporate Body, Financial Scrutiny Unit: Evaluation and options for way forward, May 2010, p 4, [http://www.scottish.parliament.uk/corporate/organisation/documents/0519\\_paper\\_48.pdf](http://www.scottish.parliament.uk/corporate/organisation/documents/0519_paper_48.pdf) accessed 31 August 2011

<sup>175</sup> Scottish Parliament Corporate Body, Financial Scrutiny Unit: Evaluation and options for way forward, May 2010, p 29, [http://www.scottish.parliament.uk/corporate/organisation/documents/0519\\_paper\\_48.pdf](http://www.scottish.parliament.uk/corporate/organisation/documents/0519_paper_48.pdf) accessed 31 August 2011

<sup>176</sup> CIA, The World Factbook: United States, <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html> accessed 6 September 2011, July 2010 population estimate, 2010 exchange rate

- 4.62 The President is the head of state and head of government (the Executive). The US Constitution provides the President with responsibility for executing and enforcing laws enacted by the Congress. The President is empowered to either sign legislation into law, or to veto enacted Bills<sup>177</sup>. Congress may override a Presidential veto with a two thirds majority in both Houses.

## Congressional Budget Office

### *Relevant legislation*

- 4.63 The Congressional Budget Office began operating in February 1975, following the enactment of the *Congressional Budget and Impoundment Control Act of 1974*, now Chapter 17, Title 2 of the US Code (The Congress).
- 4.64 The *Unfunded Mandates Reform Act of 1995* expanded the Office's responsibilities, by requiring it to provide a statement about whether bills reported by Congressional committees contain federal mandates:

Nearly all cost estimates also include both intergovernmental and private-sector mandate statements, which identify any federal mandates ... and estimates of the costs that those mandates would impose on state, local, or tribal governments and on private-sector entities. CBO is often asked to provide preliminary, informal estimates and statements for major proposals, sometimes at earlier stages of the legislative process and sometimes at later stages.<sup>178</sup>

### *Functions and powers*

- 4.65 The Congressional Budget Office's mandate is to provide the Congress with 'Objective, nonpartisan, and timely analyses to aid in economic and budgetary decisions on the wide array of programs covered by the federal budget, and the information and estimates required for the Congressional budget process'.<sup>179</sup>
- 4.66 The US Code provides that the primary function of the Office is to provide the budget committees of both Houses with information to assist them in performing matters within their jurisdictions, including:
- (1) information with respect to the budget, appropriation bills, and other bills authorizing or providing new budget authority or tax expenditures;
  - (2) information with respect to revenues, receipts, estimated future revenues and receipts, and changing revenue conditions; and
  - (3) such related information as such Committees may request.<sup>180</sup>
- 4.67 Other functions of the Office are to provide:

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<sup>177</sup> If Congress is in session and the President takes no action within 10 days, the bill becomes law. If Congress adjourns before 10 days are up and the President takes no action, the bill dies and Congress may not vote to override: see The White House website, The Legislative Branch, <http://www.whitehouse.gov/our-government/legislative-branch> accessed 11 October 2011

<sup>178</sup> Congressional Budget Office, What CBO publishes, <http://www.cbo.gov/aboutcbo/publishes.cfm> accessed 30 August 2011

<sup>179</sup> Congressional Budget Office, CBO Factsheet, <http://www.cbo.gov/aboutcbo/factsheet.cfm> accessed 18 July 2011

<sup>180</sup> US Code, Title 2, Chapter 17, s 602(a)

- Information to House and Senate Committees on Appropriations, Ways and Means and Finance relevant to their jurisdictions;
- Information compiled in performing its primary duties to other Committees and Members, and additional information as practicable and available;
- Temporary office personnel to assist committees and joint committees, on request;
- Reports on fiscal policy to budget committees each financial year; and
- Continuing studies and federal mandate studies.<sup>181</sup>

4.68 In terms of cost estimates on legislative proposals, the Office:

... is required to develop a cost estimate for virtually every bill reported by Congressional committees to show how it would affect spending or revenues over the next five years or more. .... CBO also prepares cost estimates for use in drafting bills (especially in the early stages), formulating floor amendments, and working out the final form of legislation in conference committees. To the extent that its resources permit, CBO estimates the cost of bills at the request of individual Members.<sup>182</sup>

4.69 The Office's work plays an important part in the legislative process and can have an effect on the outcome of legislation:

CBO's cost estimates have become an integral part of the legislative process, and committees increasingly refer to them at every stage of drafting bills. The estimates may also have an impact on the final outcome of legislation because they are used to determine whether committees are complying with the annual budget resolutions and reconciliation instructions.<sup>183</sup>

4.70 Under the US Code, the Director is authorised to obtain information, data, estimates and statistics directly from executive departments and agencies, and regulatory agencies and commissions. Departments are required to provide the Director with any material that he considers necessary to perform his duties. The Director is also able to use the services, facilities and staff of a department or agency with the agreement of the relevant agency head.<sup>184</sup>

4.71 In order to effectively co-ordinate the Office's work with that of other congressional agencies, the Director is also authorised to obtain information, data, estimates and statistics from the General Accounting Office and the Library of Congress, and to use their services, facilities, and staff with or without reimbursement.<sup>185</sup>

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<sup>181</sup> US Code, Title 2, Chapter 17, s 602

<sup>182</sup> Congressional Budget Office, Background on cost estimates, <http://www.cbo.gov/costestimates/CEBackground.cfm> accessed 30 August 2011

<sup>183</sup> Congressional Budget Office, Background on cost estimates, <http://www.cbo.gov/costestimates/CEBackground.cfm> accessed 30 August 2011

<sup>184</sup> US Code, Title 2, Chapter 17, s 601(d). With the exception of material the disclosure of which would be a violation of law.

<sup>185</sup> US Code, Title 2, Chapter 17, s 601(e).

*Structure, staffing and resources*

- 4.72 The Congressional Budget Office received US\$46.8 million in full year funding for 2011. It has a current staff of around 250, consisting primarily of economists and public policy analysts. The Office is headed by a Director, who is jointly appointed by the Presiding Officers of the House of Representatives and the Senate, following consideration of recommendations from the House and Senate budget committees.<sup>186</sup> The Director is supported by a Deputy Director, three Associate Directors and the Office's General Counsel.
- 4.73 The Office has several divisions each headed by an Assistant Director. The Divisions include: budget analysis, financial analysis, macroeconomic analysis, health and human resources, and microeconomic studies. The Office is a 'highly collaborative organization in which many major functions and projects involve a significant amount of cross-functional, interdivisional cooperation and consultation. Although specific divisions take a lead role in fulfilling CBO's mandates, most divisions contribute to those efforts in various ways.'<sup>187</sup>
- 4.74 Two expert advisory panels (Health and Economics) advise the Office on its work, and review and comment on its forecasts and analyses.

*Accountability and oversight*

- 4.75 The Office publishes its cost estimates and other publications on its website. Under the *Congressional Budget Act* and the *Unfunded Mandates Reform Act* the Office is required to disclose the basis for its budget and mandate cost estimates; it does so both for its cost estimates and analytical studies.<sup>188</sup>
- 4.76 To improve transparency of its analyses and encourage external review, the Office's background papers outline its modelling approaches and methodologies for non-experts, while its working papers present further technical details of analyses for experts.<sup>189</sup>
- 4.77 In terms of peer review practices, the Office states that:

All CBO estimates and analytic products are reviewed internally for technical competence, accuracy of data, and clarity of exposition. CBO studies also are reviewed by outside experts. Although outside advisers provide considerable assistance, CBO is solely responsible for the accuracy of the estimates and analyses that it produces. In keeping with its nonpartisan status and its mandate to provide objective analysis, CBO does not make policy recommendations in any of its analyses.<sup>190</sup>

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<sup>186</sup> Congressional Budget Office, CBO Fact Sheet, <http://www.cbo.gov/aboutcbo/factsheet.cfm> accessed 30 August 2011

<sup>187</sup> Congressional Budget Office, Staffing and organization, <http://www.cbo.gov/aboutcbo/organization/> accessed 30 August 2011

<sup>188</sup> Congressional Budget Office, Preparing and distributing estimates and analyses, <http://www.cbo.gov/aboutcbo/policies.cfm> accessed 30 August 2011

<sup>189</sup> Congressional Budget Office, What CBO publishes, <http://www.cbo.gov/aboutcbo/publishes.cfm> accessed 30 August 2011

<sup>190</sup> Congressional Budget Office, Preparing and distributing estimates and analyses, <http://www.cbo.gov/aboutcbo/policies.cfm> accessed 30 August 2011

- 4.78 The Office's Director and staff testify frequently before Congressional committees, and their testimony is published on the Office's website.<sup>191</sup>

### California – Legislative Analyst's Office

- 4.79 California has a population of around 37 million.<sup>192</sup> In 2010 California's gross domestic product was US\$1.9 trillion.<sup>193</sup> Its legislature is bicameral, with a Senate of 40 members elected for 4 year terms and an Assembly of 80 members elected for 2 year terms. The state is divided into 40 Senatorial and 80 Assembly districts; voters from each of these districts elect one member of the legislature to represent them.

#### *Relevant legislation*

- 4.80 The Legislative Analyst's Office was established in 1941 under the Joint Rules of California's Assembly and Senate. The 1951 Government Code gave the Office statutory authority. Both the Joint Rules and the Government Code contain provisions outlining the Office's functions and how it is to perform these functions.

#### *Functions and powers*

- 4.81 The Office provides California's Legislature with independent analysis, research, and advice. The Legislative Analyst's duties are:
- (1) To ascertain the facts and make recommendations to the Joint Legislative Budget Committee and, under its direction, to the committees of the Legislature concerning:
    - (a) The State Budget.
    - (b) The revenues and expenditures of the state.
    - (c) The organization and functions of the state and its departments, subdivisions, and agencies.
  - (2) To assist the Senate Committee on Appropriations, the Senate Budget and Fiscal Review Committee, and the Assembly Committees on Appropriations and Budget in consideration of the Budget, all bills carrying express or implied appropriations, and all legislation affecting state departments and their efficiency; to appear before any other legislative committee; and to assist any other legislative committee upon instruction by the Joint Legislative Budget Committee.
  - (3) To provide all legislative committees and Members of the Legislature with information obtained under the direction of the Joint Legislative Budget Committee.

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<sup>191</sup> Congressional Budget Office, Office of the Director, <http://www.cbo.gov/aboutcbo/organization/od.htm#dd> accessed 30 August 2011

<sup>192</sup> US Census Bureau, Population Finder: California, <http://www.census.gov/popfinder/> accessed 6 September 2011

<sup>193</sup> California Department of Finance, Miscellaneous Economic Data, [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/FS\\_Misc.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Misc.htm) accessed 6 September 2011

(4) To maintain a record of all work performed by the Legislative Analyst under the direction of the Joint Legislative Budget Committee, and to keep and make available all documents, data, and reports submitted to him or her by any Senate, Assembly, or joint committee.<sup>194</sup>

4.82 The Office reviews and analyses the operations and finances of California's State Government to 'ensure that the executive branch is implementing legislative policy in a cost efficient and effective manner'.<sup>195</sup> Its role includes conducting an annual analysis of the Governor's proposed budget and publishing its results in a document that reviews each department and makes recommendations for legislative action. In addition, the Office publishes a fiscal overview, identifying major policy issues for the Legislature. According to the Office:

These documents help set the agenda for the work of the Legislature's fiscal committees in developing a state budget. Staff of the office work with these committees throughout the budget process and provide public testimony on the office's recommendations.<sup>196</sup>

4.83 The Office's other functions are summarised below:

- **Budget "Control":** reviewing requests by the administration to make changes to the enacted budget. These reviews are used by members of the budget and fiscal committees.
- **Special Reports:** preparing special reports on the budget and other topics of interest.
- **Initiatives and Ballot Measures:** estimating the fiscal effect on state and local government of all proposed initiatives (prior to circulation) and preparing analyses of measures that qualify for the statewide ballot.
- **Forecasting:** on state revenues and expenditures.<sup>197</sup>

4.84 The Office undertakes confidential research for individual members on request:

Our office has benefited from a confidential relationship with each Member of the Legislature. ... This enables each Member of the Legislature to ask us to do research for him or her and respond back on a confidential basis. These "assignments" ... only become public if the requestor releases the analysis. In this way, Members have confidence that they are in charge of the information. We also have a long-standing policy regarding our analysis of legislation. If a Member, other than the author, asks

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<sup>194</sup> Joint Rules of the California Senate and Assembly, May 14 2009, rule 37, [http://www.leginfo.ca.gov/rules/joint\\_rules.html](http://www.leginfo.ca.gov/rules/joint_rules.html) accessed 5 September 2011

<sup>195</sup> California Legislative Analyst's Office, LAO facts, <http://www.lao.ca.gov/laoapp/LAOMenus/LAOFacts.aspx> accessed 30 August 2011

<sup>196</sup> California Legislative Analyst's Office, LAO facts, <http://www.lao.ca.gov/laoapp/LAOMenus/LAOFacts.aspx> accessed 30 August 2011

<sup>197</sup> California Legislative Analyst's Office, LAO facts, <http://www.lao.ca.gov/laoapp/LAOMenus/LAOFacts.aspx> accessed 30 August 2011

us to analyze a bill, we provide the bill's author the analysis as well, without divulging the requesting Member's name.<sup>198</sup>

### *Structure, staffing and resources*

- 4.85 The Joint Rules provide the Joint Legislative Budget Committee with 'authority to appoint a Legislative Analyst, to fix his or her compensation, to prescribe his or her duties, and to appoint any other clerical and technical employees as may appear necessary.'<sup>199</sup>
- 4.86 The Office is headed by the Legislative Analyst and two Deputies. It is divided into nine budget areas, each led by a Director, with sections including State Finance, Criminal Justice, Health, Social Services, General Government and Higher Education. It currently employs 43 analysts and approximately 13 support staff.<sup>200</sup>
- 4.87 The Office is funded by the Senate and Assembly, and its staff are employees of the Legislature:

Funding for the office comes equally from the Senate and the Assembly. In order to protect the office from elimination by a line item veto, the budget bill contains an appropriation of zero for the office but references the transfer of funding from each house to support our operations. Employees of the office are legislative staff, with the Legislative Analyst serving at the pleasure of the committee and the balance of the staff appointed by the Analyst..<sup>201</sup>

### *Accountability and oversight*

- 4.88 The Joint Legislative Budget Committee, consisting of 16 members of the Assembly and Senate, oversees the Office. According to the Office's website, its analysts 'present and defend their recommendations in public hearings held by legislative committees.'<sup>202</sup>
- 4.89 The Joint Rules provide the Budget Committee with oversight and control over the Office's work:
- When a committee or member requests the Legislative Analyst to conduct a study or provide information that falls within their responsibilities, the Analyst must advise the Joint Legislative Budget Committee of the nature of the request, without disclosing who made the request.
  - Neither Houses' Committees on Rules nor the Joint Rules Committee are to assign a matter to the Joint Legislative Budget Committee or the Legislative

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<sup>198</sup> California Legislative Analyst's Office, California's Legislative Analyst's Office: An Isle of Independence, [http://www.lao.ca.gov/laoapp/Careers/journal\\_articles/lao\\_island.aspx](http://www.lao.ca.gov/laoapp/Careers/journal_articles/lao_island.aspx) accessed 5 September 2011

<sup>199</sup> Joint Rules of the California Senate and Assembly, May 14 2009, rule 37, [http://www.leginfo.ca.gov/rules/joint\\_rules.html](http://www.leginfo.ca.gov/rules/joint_rules.html) accessed 5 September 2011

<sup>200</sup> California Legislative Analyst's Office, Organizational chart, <http://www.lao.ca.gov/laoapp/laomenus/laoorg/laoorg.aspx> and Who we are, [http://www.lao.ca.gov/laoapp/laomenus/lao\\_menu\\_aboutlao.aspx](http://www.lao.ca.gov/laoapp/laomenus/lao_menu_aboutlao.aspx) accessed 30 August 2011

<sup>201</sup> California Legislative Analyst's Office, California's Legislative Analyst's Office: An Isle of Independence, [http://www.lao.ca.gov/laoapp/Careers/journal\\_articles/lao\\_island.aspx](http://www.lao.ca.gov/laoapp/Careers/journal_articles/lao_island.aspx) accessed 5 September 2011

<sup>202</sup> California Legislative Analyst's Office, California's Legislative Analyst's Office: An Isle of Independence, [http://www.lao.ca.gov/laoapp/Careers/journal\\_articles/lao\\_island.aspx](http://www.lao.ca.gov/laoapp/Careers/journal_articles/lao_island.aspx) accessed 5 September 2011



Analyst, without obtaining an estimate of the cost of the study from the Joint Legislative Budget Committee.

- House resolutions assigning a study to the Joint Legislative Budget Committee or to the Legislative Analyst are referred to the relevant rules committee. Before acting on or assigning the resolution, the committee is to obtain an estimate of the cost the study from the Joint Legislative Budget Committee.<sup>203</sup>

## AUSTRALIA

### Commonwealth

- 4.90 The Australian Labor Party committed to establishing a Parliamentary Budget Office as part of the agreements it signed with the Greens and three Independent members of Parliament following the 2010 federal election. The proposal to establish a Federal Parliamentary Budget Office was subsequently referred to a joint select committee in November 2010. The Committee conducted its inquiry 'with the aim of examining whether a PBO is required and how it could best serve the needs of the Parliament'.<sup>204</sup>
- 4.91 The Committee tabled its report in March 2011, recommending that a PBO be established with a mandate 'to inform the Parliament by providing independent, non-partisan and policy neutral analysis on the full Budget cycle, fiscal policy and the financial implications of proposals'.<sup>205</sup>
- 4.92 On 1 August 2011 the Government tabled its response to the Joint Committee's report, indicating broad agreement with the recommendations, and stating the Government's intention to introduce legislation to establish a Parliamentary Budget Office.<sup>206</sup>
- 4.93 On 22 August 2011, the Hon Joe Hockey MP introduced two Private Member's Bills to amend the *Charter of Budget Honesty Act 1998* and to establish a Parliamentary Budget Office with the following features:
- A new body, accountable to the Parliament not the Executive;
  - Independent, to enhance the transparency and accountability of the budget process and help deliver better policy and financial outcomes for Australian taxpayers;
  - Tasked with providing objective, impartial advice and analysis on the budget and budget cycle, including the impact of major policy announcements;

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<sup>203</sup> Joint Rules of the California Senate and Assembly, May 14 2009, rule 37, [http://www.leginfo.ca.gov/rules/joint\\_rules.html](http://www.leginfo.ca.gov/rules/joint_rules.html) accessed 5 September 2011

<sup>204</sup> Parliament of the Commonwealth of Australia, Joint Select Committee on the Parliamentary Budget Office, *Inquiry into the Proposed Parliamentary Budget Office*, March 2011, p 4

<sup>205</sup> Parliament of the Commonwealth of Australia, Joint Select Committee on the Parliamentary Budget Office, *Inquiry into the Proposed Parliamentary Budget Office*, March 2011, p xv

<sup>206</sup> Australian Government, *Response to the Joint select Committee on the Parliamentary Budget Office Inquiry into the proposed Parliamentary Budget Office*, July 2011, <http://www.aph.gov.au/house/committee/jscpbo/report/govtresp.pdf> accessed 7 September 2011



- Headed by the Parliamentary Budget Officer, appointed by the Presiding Officers on the advice of a committee of senior government officials, and with an office of highly trained staff; and
  - Well resourced to ensure its effectiveness.<sup>207</sup>
- 4.94 The Charter of Budget Honesty Amendment Bill removes the requirement for the Opposition Leader to request the Prime Minister to refer costings of election commitments to the Departments of the Treasury and Finance.<sup>208</sup>
- 4.95 The Coalition's Bill provides for the Office's funding in a non-election year to be no less than 3.5% of the appropriation for the Department of the Treasury. The financial impact for 2011-12 is estimated at \$6.13 million, with the impact over four years being consistent with the appropriation provided for the Office under the 2011-12 budget.<sup>209</sup>
- 4.96 The Government's Parliamentary Service Amendment (Parliamentary Budget Officer) Bill 2011 was introduced in the House of Representatives on 24 August 2011. The Bill amends the *Parliamentary Service Act 1999* and other Acts to establish the Parliamentary Budget Office. The explanatory memorandum outlines the Bill's main features:
- Establishing the PBO as a Parliamentary Department, and the Officer as an independent officer of the Parliament, and providing a governance framework for the Office and the employment of staff;
  - Establishing the PBO's mandate to inform the Parliament by providing independent, non-partisan analysis of the budget cycle, fiscal policy and financial implications of proposals;
  - Establishing the PBO's functions to respond to requests from members of Parliament for policy costings and other budget-related requests, with responses to be undertaken in a confidential manner on request outside the caretaker period, and consistent with the *Charter of Budget Honesty Act 1998* during the caretaker period;
  - Enabling the Officer to enter into arrangements to access information from government agencies, consistent with other legislative requirements;
  - Establishing the Presiding Officers' duties and authority in relation to the PBO, including overseeing its operation and administration; and

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<sup>207</sup> Parliament of Australia, Parliamentary Budget Office Bill 2011, Explanatory memorandum, p 3, [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4619\\_ems\\_6ed36c79-e4a3-4763-bded-3b391d7c5121/upload\\_pdf/11160b01HockeyEM.pdf;fileType=application%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4619_ems_6ed36c79-e4a3-4763-bded-3b391d7c5121/upload_pdf/11160b01HockeyEM.pdf;fileType=application%2Fpdf) accessed 13 September 2011

<sup>208</sup> Parliament of Australia, Charter of Budget Honesty Amendment Bill 2011, Explanatory memorandum, p 3, [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4638\\_ems\\_50316be1-3720-42f6-a420-ff681d90816a/upload\\_pdf/11161b01HockeyEM.pdf;fileType=application%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4638_ems_50316be1-3720-42f6-a420-ff681d90816a/upload_pdf/11161b01HockeyEM.pdf;fileType=application%2Fpdf) accessed 13 September 2011

<sup>209</sup> Parliament of Australia, Parliamentary Budget Office Bill 2011, Explanatory memorandum, p 3, [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4619\\_ems\\_6ed36c79-e4a3-4763-bded-3b391d7c5121/upload\\_pdf/11160b01HockeyEM.pdf;fileType=application%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4619_ems_6ed36c79-e4a3-4763-bded-3b391d7c5121/upload_pdf/11160b01HockeyEM.pdf;fileType=application%2Fpdf) accessed 13 September 2011

- Establishing the duties and authority of the Joint Committee of Public Accounts and Audit in relation to the PBO, including enabling the Committee to consider the PBO's operations and work plan.<sup>210</sup>
- 4.97 The explanatory memorandum notes that the 2011-12 Budget allocated \$24.9 million over a 4 year period to establish the Office.<sup>211</sup>
- 4.98 The Commonwealth Parliamentary Library's Bills Digest identified the main differences between the Private Member's Bill and the Government Bill as follows:
- The Private Member's Bill proposes that the PBO have its own relatively wide powers to obtain information from agencies, similar to those of the Auditor-General, while the Government Bill provides for memoranda of understanding with government agencies.
  - The Private Member's Bill would effectively eliminate the policy costing function provided for in the Charter of Budget Honesty Act. The Government Bill prevents a costing from being done by both the PBO and under the CBH.
  - The Private Member's Bill would establish the PBO as a statutory agency staffed under the Public Service Act which reports to the Parliament, but is not a Department of the Parliament, as provided in the Government Bill.
  - The Private Member's Bill appears to provide for a broader role in economic commentary for the PBO. However the Government Bill also gives the PBO wide scope by providing that, in addition to its costing functions, the PBO is to set its own work program, prepare submissions on request to parliamentary inquiries, and conduct research on and analysis of the budget and fiscal policy settings.<sup>212</sup>
- 4.99 A further difference is that the Private Member's Bill provides for confidential policy costings, which may only be publicly released by the PBO with the relevant member's approval,<sup>213</sup> while the Government Bill provides that policy costing requests during the caretaker period may only be made for publicly announced policies, and that costing requests made outside the caretaker period may specify a request for confidentiality.<sup>214</sup>

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<sup>210</sup> Parliament of Australia, Parliamentary Service Amendment (Parliamentary Budget Officer) Bill 2011, Explanatory memorandum, p 1, [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4643\\_ems\\_45e50809-4def-4e8a-90aa-33684a75ad8d/upload\\_pdf/359415.pdf;fileType%3Dapplication%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4643_ems_45e50809-4def-4e8a-90aa-33684a75ad8d/upload_pdf/359415.pdf;fileType%3Dapplication%2Fpdf) accessed 7 September 2011

<sup>211</sup> Parliament of Australia, Parliamentary Service Amendment (Parliamentary Budget Officer) Bill 2011, Explanatory memorandum, p 2, [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4643\\_ems\\_45e50809-4def-4e8a-90aa-33684a75ad8d/upload\\_pdf/359415.pdf;fileType%3Dapplication%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4643_ems_45e50809-4def-4e8a-90aa-33684a75ad8d/upload_pdf/359415.pdf;fileType%3Dapplication%2Fpdf) accessed 7 September 2011

<sup>212</sup> Commonwealth Parliamentary Library, Anne Holmes and Richard Webb, Bills Digest No. 46, 2011–12, 12 September 2011, Parliamentary Service Amendment (Parliamentary Budget Officer) Bill 2011, pp 5-6, <http://www.aph.gov.au/library/pubs/bd/2011-12/12bd046.pdf> accessed 14 September 2011

<sup>213</sup> Parliament of Australia, Charter of Budget Honesty Amendment Bill 2011, Explanatory memorandum, p 2, [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4638\\_ems\\_50316be1-3720-42f6-a420-ff681d90816a/upload\\_pdf/11161b01HockeyEM.pdf;fileType=application%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4638_ems_50316be1-3720-42f6-a420-ff681d90816a/upload_pdf/11161b01HockeyEM.pdf;fileType=application%2Fpdf) accessed 25 October 2011

<sup>214</sup> Parliament of Australia, Parliamentary Service Amendment (Parliamentary Budget Officer) Bill 2011, Explanatory memorandum, pp 8-9, [http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4643\\_ems\\_45e50809-4def-4e8a-90aa-33684a75ad8d/upload\\_pdf/359415.pdf;fileType%3Dapplication%2Fpdf](http://parlinfo.aph.gov.au/parlInfo/download/legislation/ems/r4643_ems_45e50809-4def-4e8a-90aa-33684a75ad8d/upload_pdf/359415.pdf;fileType%3Dapplication%2Fpdf) accessed 25 October 2011

4.100 At the time of writing the Government's Bill was before the Senate at the second reading stage, while the Coalition's Bills had been referred to the House of Representatives Main Committee for further consideration.

## Queensland

4.101 Queensland does not have a parliamentary budget office or equivalent. There is currently a bill before the Queensland Legislative Assembly that includes provision for the costing of election commitments. The Charter of Budget Honesty Bill was introduced in February 2009 and lapsed when the Parliament was dissolved for the 2009 State Election. It was re-introduced in April 2009 by the Treasurer, and is yet to be debated.

4.102 The objectives of the Bill are to provide a framework for the conduct of Government fiscal policy and to improve fiscal policy outcomes by facilitating public scrutiny of fiscal policy and performance. The Bill includes provision for the Government and the Opposition to submit policy proposals for costing by the Treasury during an election period. It also requires the Under Treasurer to release a pre-election fiscal and policy outlook report within 15 days of the writ for a general election being issued.<sup>215</sup>

## Victoria

4.103 Victoria does not have a parliamentary budget office. In terms of scrutinising the budget, the Victorian Parliament's joint Public Accounts and Estimates Committee conducts an annual inquiry into the budget estimates. The objectives of the Committee's inquiry are to:

- constructively contribute to improving the presentation of budget information, to the Parliament and the community of Victoria;
- facilitate a greater understanding of the budget estimates;
- encourage clear, full and precise statements of the Government's objectives and planned budget outcomes; and
- encourage economical, efficient and effective administration.<sup>216</sup>

4.104 The inquiry involves public hearings with Ministers and departmental officials to scrutinise government expenditure and activities. As part of the inquiry process, before the budget is handed down the Committee sends a questionnaire to each department seeking information to supplement the details in the budget papers. The Committee then aims to table its report during the debate on the appropriation bills.<sup>217</sup> The Committee's most recent report is in three parts, containing an overview of key aspects of the budget along with detailed analysis of the 2011-12 budget, including consideration of departmental performance

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<sup>215</sup> Queensland Legislative Assembly, Charter of Budget Honesty Bill 2009, Explanatory note, p 1, <http://www.legislation.qld.gov.au/Bills/53PDF/2009/ChartBudHonB09.pdf> accessed 8 September 2011

<sup>216</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the 2011-12 Budget Estimates, Terms of reference, <http://www.parliament.vic.gov.au/paec/article/1379> accessed 8 September 2011

<sup>217</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the 2011-12 Budget Estimates, Terms of reference, <http://www.parliament.vic.gov.au/paec/article/1379> accessed 8 September 2011

measures within the budget papers and identification of areas requiring additional transparency and accountability. The Committee's reports make recommendations to government for improvements to the budget papers.<sup>218</sup>

## South Australia

- 4.105 South Australia does not have a parliamentary budget office or equivalent. The Public Finance and Audit (Honesty and Accountability in Government) Amendment Bill 2002 sought to provide for the preparation by Treasury of a Charter of Budget Honesty, with the purpose of stating the broad fiscal objectives of the Government and establishing a framework for assessing the Government's performance in achieving those objectives.<sup>219</sup>
- 4.106 The Bill also sought to amend the *Public Finance and Audit Act* to require the Under Treasurer to prepare a pre-election budget update report within 14 days of the issue of writ for a general election. The report's purpose is to 'provide an updated statement of the current and prospective fiscal position of the Government'.<sup>220</sup>
- 4.107 The Bill lapsed on the South Australian Parliament's prorogation in August 2004, and was reintroduced in 15 September 2004. It lapsed again during the next Parliament and has not been reintroduced.

## Western Australia

- 4.108 Western Australia does not have a parliamentary budget office or equivalent. The *Government Financial Responsibility Act 2000* established 'a framework for government financial planning and reporting, to facilitate public scrutiny of government financial policy and performance'.<sup>221</sup>
- 4.109 The Act provides that the Under-Treasurer is required to release a pre-election financial projection statement. The statement includes: financial projections for the government for the budget year and the following three years; an account of economic and other assumptions the projections are based on; an explanation of the projections' implications for meeting financial targets in the government's last Financial Strategy Statement; an analysis of the degree to which the projections are likely to be affected by changes in the circumstances that the economic and other assumptions are based on; and a statement of risks that could affect the projections including contingent liabilities and government negotiations that are yet to be finalised.<sup>222</sup>

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<sup>218</sup> Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2011-12 Budget Estimates, Part One, report 102, June 2011, p xxiii

<sup>219</sup> South Australian Parliament, Public Finance and Audit (Honesty and Accountability In Government) Amendment Bill 2002, s 4

<sup>220</sup> South Australian Parliament, Public Finance and Audit (Honesty and Accountability In Government) Amendment Bill 2002, s 6

<sup>221</sup> *Government Financial Responsibility Act 2000* long title

<sup>222</sup> *Government Financial Responsibility Act 2000* s 15

## Tasmania

4.110 Tasmania does not have a parliamentary budget office or equivalent. The *Charter of Budget Responsibility Act 2007* established a Charter to provide a framework for improving fiscal policy outcomes by requiring:

- Government and opposition fiscal strategy statements based on the principles of sound fiscal management – with the aim of establishing a benchmark for evaluating government performance and increasing public awareness of government and opposition fiscal policies.
- Regular reports to provide for the assessment of the Government's fiscal performance – the Treasurer is to provide information within the budget, half-yearly report and annual report to enable assessment of the Government's fiscal performance against the strategy set out in the current fiscal strategy statement.
- A pre-election financial outlook report – the Treasury Secretary is to publicly release, and provide the Premier with, updated information on estimates in the budget papers for the current budget year and the following 3 financial years, if required.
- Costing of parties' election policies – to be undertaken by Treasury on request during the caretaker period, with the costings to be publicly released by the Treasury Secretary.<sup>223</sup>

## Australian Capital Territory

4.111 The Australian Capital Territory does not have a parliamentary budget office or equivalent. In 2009 the ACT Standing Committee on Administration and Procedure conducted an inquiry into the merit of appointing a Parliamentary Budget Officer. The Standing Committee concluded that it was more appropriate for the Assembly, given its size, to engage an expert consultant to provide advice to the Select Committee on Estimates to assist it with scrutinising the budget papers:

The Committee accepts that a fully-resourced, independent parliamentary budget office is beyond the financial reach of a small jurisdiction like the ACT. The Committee is of the opinion that the Legislative Assembly does not need an independent office holder, or even a designated officer to provide independent financial analysis on the Budget Papers. ... temporarily appointing an expert consultant for the duration of the Estimates process presents a more flexible approach, and is the most appropriate model for the Legislative Assembly. In addition ... one or more experts could be contracted as required throughout the sitting year to provide expert financial and economic advice and analysis to various committees as required.<sup>224</sup>

4.112 In terms of costing election promises, an exposure draft of the Election Commitments Costing Bill 2011 was tabled for consultation in March 2011. The

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<sup>223</sup> *Charter of Budget Responsibility Act 2007* (Tas), Sch 1

<sup>224</sup> ACT Standing Committee on Administration and Procedure, *The merit of appointing a Parliamentary Budget Officer*, August 2009, report 1, p 15

Bill proposed to formalise the role of the Department of Treasury in costing election commitments, by providing that 'a leader of a registered party with one or more MLAs, or an MLA who is not a member of a registered party, can request the Chief Executive of the Department of Treasury to cost an election commitment' during the pre-election period defined under the ACT's Electoral Act.<sup>225</sup>

## Northern Territory

- 4.113 The Northern Territory does not have a parliamentary budget office or equivalent. The *Fiscal Integrity and Transparency Act 2001* provides a framework for the conduct of Government fiscal policy, including:
- fiscal strategy statements,
  - fiscal outlook reports,
  - a final fiscal results report, and
  - a pre-election fiscal outlook report.<sup>226</sup>
- 4.114 The pre-election fiscal outlook report is to include: updated financial projections for the budget year and following 3 financial years; an account of the economic and other assumptions on which the projections are based; an analysis of the degree to which the projections are likely to be affected by changes in circumstances in which the assumptions are based; an overview of estimates tax expenditures for the budget year and following 3 financial years; a statement of the risks (quantified) that could affect the updated projections; and an explanation of factors and considerations that contributed to differences between the updated projections and the equivalent projections in the last outlook report.<sup>227</sup>
- 4.115 The Northern Territory Legislative Assembly's Budget Estimates process enables members of Parliament to question Ministers and departmental officials about each output in the Budget. As part of the Estimates process, the Estimates Committee is appointed to examine and report on the estimates of proposed expenditure contained in the relevant appropriation bills and related budget papers. As part of its examination, the Committee holds hearings at which questions relating to proposed expenditure and outputs may be put by members.<sup>228</sup>
- 4.116 The Estimates Committee's report is presented to the Committee-of-the-Whole Assembly, which then debates the question that the proposed expenditure be

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<sup>225</sup> Legislative Assembly for the Australian Capital Territory, *Election Commitments Costing Bill 2011: Draft Explanatory Statement*, p 3

<sup>226</sup> *Fiscal Integrity and Transparency Act 2001* (NT) Sch cls 2, 7, 12, 14

<sup>227</sup> *Fiscal Integrity and Transparency Act 2001* (NT) Sch, cl 10

<sup>228</sup> Legislative Assembly of the Northern Territory, *Estimates Committee Information Manual 2011*, p 2 <http://www.nt.gov.au/lant/parliamentary-business/committees/estimates/Estimates%20Committee%20Information%20Manual%202011.pdf> accessed 27 October 2011

agreed to, and that the resolutions or expressions of opinion as agreed to by the committees in relation to the proposed expenditure be noted.<sup>229</sup>

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<sup>229</sup> Legislative Assembly of the Northern Territory, *Estimates Committee Information Manual 2011*, p 9  
<http://www.nt.gov.au/lant/parliamentary-business/committees/estimates/Estimates%20Committee%20Information%20Manual%202011.pdf> accessed 27 October 2011

## Chapter Five – Proposals for reform

- 5.1 In the course of the inquiry the Committee heard evidence from a variety of stakeholders. This chapter outlines a number of the proposals for reforming the NSW Parliamentary Budget Office that were put forward in submissions or during the public hearing.
- 5.2 The first section of the chapter considers the ongoing existence of the PBO and looks at some suggestions regarding the purpose of the Office and the additional functions that it may be able to perform. The latter sections of chapter consider proposals to reform the existing functions of the PBO, the structure of the PBO and the accountability mechanisms that apply to the office.
- 5.3 The proposals in this chapter reflect the views of a number of the participants in the inquiry. The Committee's comments and recommendations are outlined in Chapter Two of the report.

### PURPOSE AND ROLE OF THE OFFICE

- 5.4 The majority of evidence to the Inquiry demonstrated support for the ongoing existence of the NSW Parliamentary Budget Office. However some evidence, notably the submission and verbal evidence of the former Acting Parliamentary Budget Officer, maintained that the ongoing existence of the PBO would be hard to justify unless changes to the relevant legislation were made.

### Support for the PBO

- 5.5 A number of submissions included specific recommendations about the continuation of the PBO. For example, Unions NSW recommended that "The PBO should remain and be supported by all parties". Similarly, the NSW Business Chamber recommended "That the NSW Government continues to operate a Parliamentary Budget Office."<sup>230</sup>
- 5.6 The submission from the Australian Labor Party (ALP) also strongly supported "the retention of the Parliamentary Budget Office as an important step towards maintaining open and accountable Government in NSW."<sup>231</sup>
- 5.7 The ALP made the following statement about the ongoing importance of the PBO for enhancing the transparency and accountability of the NSW Government:

The retention of a well resourced PBO will benefit not just the 55th Parliament, but all future Parliaments. Importantly, the retention of the PBO will lead to better outcomes for the people of NSW and the provision of financial and economic information they can have confidence in. NSW Labor strongly supports the retention of the PBO with the necessary resources and funding as an important step towards enhanced transparency and openness in Government.<sup>232</sup>

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<sup>230</sup> Submission No 5, Unions NSW, p. 3; Submission No. 12, NSW Business Chamber, p. 1.

<sup>231</sup> Submission No. 7, Australian Labor Party, p. 1.

<sup>232</sup> Submission No. 7, Australian Labor Party, p. 6.



- 5.8 The submission from Mr Stephen Bartos stated that the PBO plays an important role and that NSW is to be congratulated on its establishment, while the submission from the Council of Social Service of NSW (NCOSS) suggested that the budget for the PBO should enable the PBO to carry out its functions.<sup>233</sup>
- 5.9 Notwithstanding the general support for the PBO's continued operation, a number of inquiry participants raised doubts over the value of the current model of the NSW PBO under the existing legislation.
- 5.10 The submission from Mr Stephen Bartos suggested that the functions of the PBO should be expanded, and further stated that "the ongoing existence of a PBO in the periods between elections is harder to justify if election policy costings constitute its predominant function."<sup>234</sup>
- 5.11 The evidence from the former Acting Parliamentary Budget Officer, Mr Tony Harris, made clear his concerns about the value and efficacy of the PBO in regards to the Office's election policy costing function, indicating that the value of this function should be reconsidered unless there are significant changes to the law:
- The paper concludes that if the NSW Parliament does not wish to strengthen the law to impose a requirement on at least the major parties to submit to the PBO for costing their announced, election-time policies, it should re-consider the value of this part of PBO's mandate. One possible conclusion is that the contribution which PBO can make to this function by informing the electorate is too uncertain to justify the expenses involved.<sup>235</sup>
- 5.12 Mr Harris contended that the establishment of the PBO as an independent office "to avoid a potential politicisation of the NSW Treasury might be seen as the most important achievement of the NSW PBO in the context of the recent state general election."<sup>236</sup> However, that achievement was never realised, because the then-Opposition did not use the PBO and the former Government did not provide all of its policies on time:
- The opposition's decision not to use the PBO removed the prospect of any claim that the PBO's work gave the electorate confidence in the costs and budget implications of the alternative government's promises. Moreover, the former government also failed to provide all of its announced policies in time for the PBO to report on their budget consequences.<sup>237</sup>
- 5.13 Mr Harris felt that it was clear that the "existing law provides no certainty that the PBO can effectively advise the electorate of the costs of or fiscal implications of election promises made by any parliamentary leader."<sup>238</sup> He indicated that change to the legislation is required if the PBO is to have an effective costings function, and stated that "In the absence of remedial legislative changes, there is

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<sup>233</sup> Submission No. 13, Mr Stephen Bartos, pp. 2, 4; Submission No. 10, Council of Social Service of NSW, p. 5.

<sup>234</sup> Submission No. 13, Mr Stephen Bartos, p. 2.

<sup>235</sup> Submission No. 1, Mr Tony Harris, p. 1.

<sup>236</sup> Submission No. 1, Mr Tony Harris, p. 2.

<sup>237</sup> Submission No. 1, Mr Tony Harris, p. 2.

<sup>238</sup> Submission No. 1, Mr Tony Harris, p. 2.

a high risk that PBO's costing powers will continue to be more symbolic than effective." <sup>239</sup>

### Additional functions

- 5.14 A number of submissions to the Inquiry suggested functions that the PBO could undertake in addition to those currently required by the legislation. These suggestions included evaluating the social and environmental impacts of policies, assisting in transparency and understanding, sustainability reporting, and wider publication of information on costings, budget numbers and government finances.
- 5.15 The submission from Mr Harris noted that there are a variety of agencies around the world with functions that are similar to, or significantly broader than, the functions of the PBO. The functions of these agencies typically fall into three categories:
- the provision of advice and assistance to the parliament, its members and committees on matters related to the jurisdiction's budget and its fiscal situation;
  - the costing of proposals being considered by members of a legislature within and outside the election cycle; and
  - a promotion and public awareness role to assist the community to understand economic, fiscal and financial issues facing the community. <sup>240</sup>
- 5.16 Mr Harris noted that the NSW legislation provided a more limited role for the PBO than most of the comparable international agencies. He felt that it was fair to say that "the primary function envisaged for the NSW PBO when the legislation was being developed was to undertake election-time costings..." <sup>241</sup> However, he went on to say that over time the briefing role of the PBO might become a more important task.

### *Evaluation of the social and environmental impacts of policies*

- 5.17 The evaluation of the social and environmental impacts of proposed policies was raised in submissions from Unions NSW and NCOSS. Unions NSW made the following recommendation:
- The role of the PBO should be expanded to incorporate community impact statements and whether particular proposals are likely to meet any social objective they are promised to address. <sup>242</sup>
- 5.18 NCOSS recommended "That the Joint Committee acknowledge that factors such as social and environmental impacts are equally important in considering proposed policies." <sup>243</sup>

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<sup>239</sup> Submission No. 1, Mr Tony Harris, p. 3.

<sup>240</sup> Submission No. 1, Mr Tony Harris, p. 1.

<sup>241</sup> Submission No. 1, Mr Tony Harris, pp. 1-2.

<sup>242</sup> Submission No 5, Unions NSW, p. 3.

5.19 Unions NSW believed that the PBO should not just report on economic assessments, "but should evaluate the social impacts of particular proposals by preparing a community impact statement which would also deal with whether any proposal is likely to meet any social objective it seeks to address."<sup>244</sup> Unions NSW provided the following example to explain how this might work:

By way of example if a proposal is put up to privatise or outsource particular government services e.g. Sydney Ferries, then the PBO should not only scrutinise whether the proposal will actually lower costs but also analyse whether services will in fact be improved and whether there are any social impacts as a consequence, e.g., job losses or loss of services to the public.<sup>245</sup>

5.20 To accommodate this expanded role for the PBO, Unions NSW recommended that two additional positions – Senior Social Analyst and Social Analyst – should be added to the staffing structure of the PBO.<sup>246</sup>

### *Commission of Budget Integrity*

5.21 The submissions from the Business Council of Australia and Mr Stephen Bartos both included a report prepared by Sapere Research Group entitled *Enhancing Budget Integrity in Australia*.<sup>247</sup> The report examined a number of options for establishing an independent budget office or commission to enhance budget integrity in Australia.

5.22 The report had previously been submitted to the Commonwealth Parliamentary Inquiry into a Parliamentary Budget Office and was focused on the federal jurisdiction. However, both submissions indicated that the report may prove useful to this Committee's deliberations.<sup>248</sup>

5.23 The report recommended that a Commission of Budget Integrity be established at a Commonwealth level, which could perform the following functions:

- economic forecasting,
- fiscal sustainability reporting,
- analysis of tax expenditures,
- program evaluation,
- costing of policy proposals, and
- Budget and other economic commentary.<sup>249</sup>

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<sup>243</sup> Submission No 10, Council of Social Service of NSW, p. 4.

<sup>244</sup> Submission No 5, Unions NSW, p. 3.

<sup>245</sup> Submission No 5, Unions NSW, p. 3.

<sup>246</sup> Submission No 5, Unions NSW, p. 3.

<sup>247</sup> Bartos, S. 2011. *Enhancing Budget Integrity in Australia: An options paper for the Business Council of Australia*, Sapere Research Group.

<sup>248</sup> Submission No 9, Business Council of Australia, p. 1; Submission No 13, Mr Stephen Bartos, p. 1.

<sup>249</sup> Submission No. 12. Business Council of Australia, p. iii.

5.24 Of the functions listed above, Mr Bartos stated that the current NSW Act focused almost exclusively on the policy costing function.<sup>250</sup> Mr Bartos proposed three additional functions that the PBO could perform:

1. Assist in transparency and understanding,
2. Sustainability reporting,
3. Wider publication of information on costings, budget numbers and government finances in general.<sup>251</sup>

### *Transparency and education*

5.25 Mr Bartos's submission noted that the State Budget is a key accountability document for government, and accordingly, "all parliamentarians should be able to engage in deep and careful scrutiny of the budget." However, understanding the complexities of the State Budget can be difficult:

In practice, the impenetrability of budget documentation and concepts makes this difficult for parliamentarians, and especially for those newly elected who may not previously have had any exposure to public budgeting.<sup>252</sup>

5.26 Mr Bartos believed that improving the understanding of budget documentation and providing clear analysis of the Budget in simple, comprehensible language would be one way for the PBO to assist the democratic process. The submission outlined a number of methods by which the PBO could assist with building budget awareness, including:

- confidential briefings to individual parliamentarians;
- seminars, conferences and other presentations to explain budget concepts; and
- publication of factual briefings and explanation.<sup>253</sup>

### *Sustainability reporting*

5.27 According to Mr Bartos, sustainability reporting examines and reports on questions such as:

- How best to maintain the viability of the State's balance sheet?
- What social, demographic and environmental pressures are likely to affect the budget in future?
- What options are available to address emerging pressures?<sup>254</sup>

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<sup>250</sup> Submission No. 13, Mr Stephen Bartos, p. 1.

<sup>251</sup> Submission No. 13, Mr Stephen Bartos, pp. 2-3.

<sup>252</sup> Submission No. 13, Mr Stephen Bartos, pp. 2-3.

<sup>253</sup> Submission No. 13, Mr Stephen Bartos, pp. 2-3.

<sup>254</sup> Submission No. 13, Mr Stephen Bartos, p. 3.

- 5.28 Mr Bartos claimed that the "analysis of the sustainability of the State's finances" is another important function that could be undertaken by the PBO. The submission noted that sustainability reporting is one of the most important functions undertaken by the Congressional Budget Office. If the PBO were to take on this function, the factual analysis and information provided would "assist in ensuring that the political debate is more constructive."<sup>255</sup>

## FUNCTIONS AND POWERS

### Election costings

#### *Increased participation*

- 5.29 Evidence from the NSW Business Chamber and the former Acting Parliamentary Budget Officer suggested that the framework for election policy costings should be improved to ensure greater participation by political parties.
- 5.30 The NSW Business Chamber stated that it was important for the legislation to be effective in allowing the PBO to provide independent costings of election commitments. Yet the experience from the 2011 election "where neither major party submitted all the election commitments to the PBO for costing, demonstrates that the current framework requires some modification."<sup>256</sup>
- 5.31 The Business Chamber made the following recommendation:
- That the framework around the PBO's election costing process be refined to improve the likelihood of this facility being utilised by the government and opposition in future.<sup>257</sup>
- 5.32 The evidence from Mr Tony Harris also suggested that legislative amendments should be considered to encourage political parties to submit election policy costing requests, in order to ensure that the electorate had an accurate and timely assessment of the costs of election promises.<sup>258</sup>
- 5.33 Mr Harris's submission proposed that one way to encourage greater participation would be to "reward parties and others who put their promises to the PBO for costing by making some or all public electoral funding contingent on that practice." Mr Harris argued that the provision of public electoral funding was already linked to political party registration and disclosure requirements, and thus there was no principle at stake in mandating that costings be linked to election funding as well.<sup>259</sup>
- 5.34 Mr Harris made similar comments during the Committee's public hearing and suggested that one approach to increase participation would be to link electoral funding to the submission of policies for costing. While another approach "would be just a mandatory requirement that parliamentary leaders submit announced policies for costing—just a blanket." In the latter case Mr Harris stated that he

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<sup>255</sup> Submission No. 13, Mr Stephen Bartos, p. 3.

<sup>256</sup> Submission No. 12, NSW Business Chamber, p. 3.

<sup>257</sup> Submission No. 12, NSW Business Chamber, p. 3.

<sup>258</sup> Submission No. 1, Mr Tony Harris, p. 4.

<sup>259</sup> Submission No. 1, Mr Tony Harris, p. 4.

was unsure of what penalties should be imposed on major parties who did not submit announced policies for costing.<sup>260</sup>

- 5.35 If the submission of announced election promises for costing was mandated, Mr Harris asserted that it was important that it apply at least to the major parties, because:

...it is likely that at least one of these major parties will have an important impact on the scope and costs of initiatives introduced after a general election, and thus have a material impact on the state budget.<sup>261</sup>

- 5.36 Mr Harris's submission indicated that it may also be important to include minor parties as they may have influence on the formation of a Government:

As we have recently seen in the Commonwealth, minor parties have had an influence on a government's post-election policies.<sup>262</sup>

- 5.37 According to Mr Harris, making it mandatory for parliamentary leaders to submit announced policies for costing by the PBO would not affect the submission of requests to cost policies that had not yet been announced.

If it was mandatory for *announced policies* to be submitted for costing, parliamentary leaders would still have the capacity to submit requests for policies not yet announced and thus could retain the right not to announce them if, for example, they thought the assessed costs were inappropriate.<sup>263</sup>

- 5.38 Thus, parliamentary leaders could still request confidential costings for policies that were unannounced. The costings would remain confidential, unless the policy was publicly announced.

#### *Publication of basic costing data*

- 5.39 During the public hearing Mr Harris discussed the proposition that the PBO produce a set of basic costing data for members of Parliament and political parties to use in developing policies and preparing costing requests.

**Dr JOHN KAYE:** I have two questions. Firstly, would it be feasible to publish a book of costings? How much does it cost to employ a teacher? We always operate off \$102,000 a year for a new teacher. We do our costings on certain bases. It is hard to get that data, although it does exist within Treasury.

**Mr HARRIS:** Yes.

**Dr JOHN KAYE:** Treasury certainly has it.

**Mr HARRIS:** Yes.

**Dr JOHN KAYE:** Can you envisage a situation where the Parliamentary Budget Office produces a blue book of data that everybody agrees to?

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<sup>260</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 5.

<sup>261</sup> Submission No. 1, Mr Tony Harris, p. 4.

<sup>262</sup> Submission No. 1, Mr Tony Harris, p. 4.

<sup>263</sup> Submission No. 1, Mr Tony Harris, p. 4.

Mr HARRIS: Yes.<sup>264</sup>

5.40 However, Mr Harris went on to say that while it may be possible to produce a set of basic data, it would contain imperfections and could not be relied on for accurate costings:

As for the first part of your question—can you put out a blue book of costings—yes, you can. Can you use those costings blindly? No, you cannot because the average will hide many imperfections. So the average cost of a teacher might be overstating or understating the actual cost if applied to a promise, depending on the circumstances. Some teachers are dearer than other teachers. Some teachers in the same area are dearer in some places than in others.<sup>265</sup>

5.41 In addition to the imperfections created by using averages, Mr Harris also pointed out that there would be many policies that would not be included in a 'blue book' of basic costing data.<sup>266</sup>

#### *Timing of costing requests and budget impact statements*

5.42 Chapter Three of this report provided details about the receipt and completion of election costing requests by the PBO. Table 1 in that chapter showed that no costing requests were received prior to 10 March 2011, despite the requirement "that the Parliamentary Budget Officer provide on 11 March a draft budget impact statement on proposed election policies to the relevant parliamentary leader."<sup>267</sup>

5.43 The submission from Mr Harris stated that, as a result of the 11 March deadline and the delayed submission of costing requests, not all policies that had been submitted for costing were included in the draft budget impact statement.<sup>268</sup>

5.44 Mr Harris noted that election-time policies can be advanced for costing at any stage of the election process. Yet the existing legislation prevents policies from being added to the budget impact statement after the legislated deadline:

Election promises submitted for costing after the currently legislated timetable for a draft Budget Impact Statement cannot lawfully be included in any Budget Impact Statement.<sup>269</sup>

5.45 However, Mr Harris felt that the problems with late submission of costing requests were "not likely to be overcome by a legislative amendment which sets a deadline beyond which requests will not be included in draft or final budget impact statements."<sup>270</sup>

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<sup>264</sup> Dr John Kaye, Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 13.

<sup>265</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 13.

<sup>266</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 14.

<sup>267</sup> Submission No. 1, Mr Tony Harris, p. 4.

<sup>268</sup> Submission No. 1, Mr Tony Harris, p. 4.

<sup>269</sup> Submission No. 1, Mr Tony Harris, p. 6.

<sup>270</sup> Submission No. 1, Mr Tony Harris, p. 5.

- 5.46 Mr Harris indicated that another solution would be required and proposed a requirement for parliamentary leaders to submit policies for costing as soon as practicable after they are announced.<sup>271</sup>
- 5.47 Allowing the PBO to release more than one Budget Impact Statement was another proposal for addressing the problem of publishing a budget impact statement which does not contain all of the election policies of a party.
- 5.48 Mr Harris's submission suggested that the limitation of the current process could be overcome:
- ...if legislation allowed the PBO to publish a number of Budget Impact Statements, after having completed sequential costings of election-time policies which had been announced or which had been cleared for publication. The release of up to three budget impact assessments, on a weekly or occasional basis, as the need arose, would provide voters with a more accurate picture of budgetary impacts than is allowed under the present legislation. Another option would allow the PBO to publish an updated budget assessment with each costed policy or batch of costed policies – a running total, as it were, of budget impacts for each parliamentary leader.<sup>272</sup>

#### *Defining the content of budget impact statements*

- 5.49 Evidence from Mr Harris raised the question of what should be reported in a budget impact statement. The *Parliamentary Budget Officer Act 2010* includes the following provisions regarding the content of a budget impact statement:
- A budget impact statement is to list the relevant costed policies and show:
- (a) a summary of the assessed financial impact of each costed policy, and
- (b) the total net financial impact of all the costed policies,
- on the current year's State budget and on the forward estimates for the period to which the pre-election half-yearly budget review relates. The budget impact statement is also to show the impact of all the costed policies on the State's net financial liabilities.<sup>273</sup>
- 5.50 Mr Harris indicated that there had been some doubt as to "whether the measures used to determine impact (for example, the increase or decrease in general government financial liabilities) could be referenced against or compared to the equivalent figure in the government's half-yearly budget report."<sup>274</sup>
- 5.51 During the last election the PBO "took the view that a report on the budget impact would not be satisfied if only the costs or other financial implications of the promises themselves were shown in isolation." However, Mr Harris believed

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<sup>271</sup> Submission No. 1, Mr Tony Harris, p. 5.

<sup>272</sup> Submission No. 1, Mr Tony Harris, p. 6.

<sup>273</sup> *Parliamentary Budget Officer Act 2010*, s 23.

<sup>274</sup> Submission No. 1, Mr Tony Harris, p. 5.



that a legislative amendment might be required to ensure clarity, if there was any legal doubt about this course of action.<sup>275</sup>

### *Updating the half-yearly budget review*

- 5.52 As noted above Mr Harris expressed the view that budget impact statements should be referenced against Treasury's half-yearly budget review. He stated that a weakness in the budget impact statement published during the last election was that it referenced half-yearly budget review figures that were, in his words, 'stale'.

There is also a weakness in publishing a report on budgetary impact in March which references budget figures which were last publicly updated in December, and for some figures, May 2010. The difficulties were particularly apparent in the recent NSW general election because at least one major transaction was completed after the mid-yearly report - the sale of electricity assets - which had a material impact on the 2010-11 Budget.<sup>276</sup>

- 5.53 While the endnote to the budget impact statement included a caveat warning of this variation,<sup>277</sup> Mr Harris suggested during the public hearing that the problem would be "very easily remedied by requiring an update of the outlook".<sup>278</sup>

- 5.54 In his submission, Mr Harris outlined how other jurisdictions have addressed the issue:

Some jurisdictions require or propose to require (for example, the Commonwealth, Victoria, the ACT and Tasmania) that their treasury provide a budget update which is published a few days after the writ for a general election is issued. The timeliness of such a budget update provides the electorate with an up-to-date assessment of the budget's likely outcome against which the financial implications of a party's promises can be considered.<sup>279</sup>

- 5.55 Mr Harris further indicated that a budget update would be a more satisfactory document than the statement of uncommitted funds that is currently required:

If an election-time budget update was provided for, there would be less need for the statement of uncommitted funds which, because it is a difficult concept to measure and it varies quickly, does not offer as satisfactory a basis for assessing election policy implications.<sup>280</sup>

### *Deadline for PBO work on election costings*

- 5.56 The submission from Mr Harris suggested that there should be a date, specified in the legislation, after which no election costing work can be done. He noted that at least one other jurisdiction – Tasmania – is proposing to include such a provision in their legislation. However, the NSW legislation remains unclear on this point.

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<sup>275</sup> Submission No. 1, Mr Tony Harris, p. 5.

<sup>276</sup> Submission No. 1, Mr Tony Harris, p. 5.

<sup>277</sup> Parliamentary Budget Office. 2011. *Budget Impact Statement: Policies proposed by the Premier*, p. 4.

<sup>278</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 4.

<sup>279</sup> Submission No. 1, Mr Tony Harris, p. 5.

<sup>280</sup> Submission No. 1, Mr Tony Harris, p. 6.

- 5.57 The submission notes that although the NSW Act outlines a specific end date - polling day - after which parliamentary leaders may no longer make costing requests, it does not definitively state that the PBO should cease working on costings on the same date.<sup>281</sup>

## Non-election costings

### *Publication of non-election costings*

- 5.58 Under the current legislation there are no provisions that enable the PBO to publish a non-election costing requested by a member of Parliament. According to Mr Harris, even if the parliamentarian authorises the publication of the costing, the PBO is prevented from releasing it:

It seems clear that under section 17 of the Act, the PBO may not release information about the costing of a non-election time policy even if the parliamentarian requesting the costing authorises such publication. The Act suggests that publication by the PBO must be authorised or required by the Act itself.

- 5.59 Mr Harris identified this issue as a matter that might deserve further consideration by the Committee.

## Technical briefing function

- 5.60 The following sections outline a number of reforms proposed by inquiry participants regarding the technical briefing, analysis and advice function of the Parliamentary Budget Office. These include enabling the PBO to undertake more proactive work; to educate the general public; and to publish technical briefings.

### *Greater powers to undertake proactive work*

- 5.61 The NSW Business Chamber made the following recommendation regarding the PBO's powers to undertake proactive work:

That the PBO be given greater powers to proactively undertake and publish relevant work to improve the public's understanding of economic, fiscal and financial matters.<sup>282</sup>

- 5.62 The Chamber argued that the role of the PBO should be broadened to include commentary on economic, fiscal and budget forecasts, which it should be able to undertake independently and publish. The Chamber also claimed that "the wider scope of activities would assist in making government forecasts less contentious, and could also help to refocus attention on the merits of a government's overall fiscal policy stance and its performance against this strategy."<sup>283</sup>

- 5.63 The submission from Mr Harris drew attention to a recommendation by the Commonwealth Joint Select Committee on the Parliamentary Budget Office that the Commonwealth PBO should be empowered to "initiate its own work in anticipation of the interests of its clients".<sup>284</sup>

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<sup>281</sup> Submission No. 1, Mr Tony Harris, p. 6.

<sup>282</sup> Submission No. 12, NSW Business Chamber, p. 3.

<sup>283</sup> Submission No. 12, NSW Business Chamber, p. 3.

<sup>284</sup> Submission No. 1, Mr Tony Harris, p. 3.

- 5.64 Mr Harris also made the following comments during the hearing, in support of a proactive role for the PBO in anticipating parliamentarians' needs:

If you wanted to add to the functions, the one I think I would add is that the Parliamentary Budget Office could anticipate parliamentary needs by providing briefings on the same matters that the current Act allows the Parliamentary Budget Office to provide briefings on.<sup>285</sup>

#### *Educating the public*

- 5.65 According to the submission from NCOSS, the technical briefing function of the PBO was designed to facilitate greater transparency and understanding of financial, fiscal and economic matters amongst members of Parliament. The submission maintained that this provided "an opportunity to enhance the understanding of the general public on such matters as well." NCOSS accordingly made the following recommendation:

That the Office consider as part of its Operational Plan how it can, through its core functions, provide an educative role to members of the public regarding the financial, fiscal and economic considerations of policy proposals.<sup>286</sup>

- 5.66 This proposal for an educative role to be played by the PBO was mirrored in the submission of the NSW Business Chamber, which suggested that the PBO should be proactive in working to improve the both the public's and the Parliament's understanding of economic, fiscal and financial matters.<sup>287</sup>

#### *Publication of technical briefings*

- 5.67 Mr Harris's submission noted that the inability of the PBO to publish its briefings was problematic:

The current legislation has made no provision for the PBO to publish a briefing it provides to a member of parliament. This allows PBO briefing material to be used in a selective or tendentious manner which the PBO would be unable to correct.<sup>288</sup>

- 5.68 In the public hearing Mr Harris also raised this issue and suggested that the existing process is of concern:

The Parliamentary Budget Office responds to requests from parliamentarians and provides advice to parliamentarians and the parliamentarians then determine how that advice is used. There is a bit of a failure in that process by itself.<sup>289</sup>

## STRUCTURE, STAFFING, RESOURCING

- 5.69 Submissions to the inquiry made a number of recommendations regarding the structure, staffing and resourcing of the PBO. These recommendations primarily related to the budget allocation and resourcing of the Office.

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<sup>285</sup> Mr Tony Harris, Transcript of evidence, 21 September 2011, p. 17.

<sup>286</sup> Submission No 10, Council of Social Service of NSW, p. 4.

<sup>287</sup> Submission No. 12, NSW Business Chamber, p. 3.

<sup>288</sup> Submission No. 1, Mr Tony Harris, p. 3.

<sup>289</sup> Mr Tony Harris, Transcript of evidence, 21 September 2011, p. 12.

*Relationship with Treasury*

5.70 In his evidence to the inquiry, Mr Harris noted that it is important for the PBO to liaise and work closely with Treasury, so that each agency benefits from the work of the other and to ensure there is no duplication of effort in preparing election costings.<sup>290</sup>

5.71 The NSW Business Chamber recommended that the funding for the PBO should continue at its current levels. However, the costs should be met by "an equivalent reduction in the NSW Treasury Budget over the medium-term."<sup>291</sup>

5.72 The Chamber believed that the current level of funding and staffing for the PBO were appropriate and provided the PBO with the capacity to make a meaningful contribution to improving the transparency of government processes. Yet the Chamber considered that the costs of operating the PBO could be absorbed into the existing budget for NSW Treasury, which would ensure that the PBO could continue to operate in the medium term at no net cost to the taxpayers of NSW. The submission explained that the current budget of the PBO is \$3 million per annum and compared this to the budget allocation for the Treasury:

We note that the current budget for the operation of the NSW Treasury is more than \$250 million. Absorbing the costs of the operation of the PBO within this budget would require Treasury to reduce its expenditure in other areas by only 1.2 per cent.<sup>292</sup>

5.73 Mr Harris indicated that the budget allocations of the PBO and Finance were linked. During the public hearing, Mr Harris asserted that if the PBO and Finance worked closely together to ensure there was no duplication of effort, then the costs of operating the PBO would be minimal:

**Mr HARRIS:** ...It would be quite important for the Parliamentary Budget Office to liaise with Finance in New South Wales quite closely so that each can benefit from the work of the other without the one duplicating the work of the other. If you can avoid duplication costs without the prescription that occurred in the select committee Commonwealth report it would not actually cost much more than it does now.

**CHAIR:** Three million dollars?

**Mr HARRIS:** What I am trying to say is the Parliamentary Budget Office allocation and the Finance allocation should be the same as if you did not have a Parliamentary Budget Office.

**CHAIR:** It is coming out of Treasury?

**Mr HARRIS:** It would come out of Finance or it would come out of the Parliamentary Budget Office but you would make those two organisations work so closely together that the additional cost would not be \$3 million.<sup>293</sup>

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<sup>290</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 10.

<sup>291</sup> Submission No. 12, NSW Business Chamber, p. 4.

<sup>292</sup> Submission No. 12, NSW Business Chamber, p. 3.

<sup>293</sup> Mr Tony Harris, *Transcript of Evidence*, 21 September 2011, pp. 9-10.

### *Certainty of funding*

- 5.74 Submissions from Mr Stephen Bartos and Mr Tony Harris stated that the PBO would benefit from greater certainty of funding. Mr Bartos pointed to the experience of the Canadian Parliamentary Budget Officer to substantiate his suggestion:

There is though a good case to be made for greater certainty of funding in relation to a PBO. The Canadian experience indicates the difficulties that can arise if a PBO is (or is perceived to be) punished in budget terms for taking a perspective different to that of the government of the day.<sup>294</sup>

- 5.75 Mr Harris's submission similarly noted that the potential for the PBO's technical briefing function to be "more contentious than is typically undertaken by parliamentary library research staff" suggested that legislative protection of funding would be beneficial. Providing such protection to PBO funding would ensure "that a government would not be able to impede this function by restricting parliamentary provisions,"<sup>295</sup> even if the briefings prepared by the PBO were considered contentious or critical by the Government.

### *Review of budget allocation*

- 5.76 NCOSS noted in its submission that it believed the "independence and effectiveness of the Office will be enhanced by a clear budget that is sufficient to meet the needs of the Office". NCOSS further stated that it may be appropriate to provide some flexibility in budget and staffing levels in order to "allow the Office to develop and determine a suitable structure...to meet its objectives".<sup>296</sup>

- 5.77 Accordingly, NCOSS made the following recommendation regarding allocating and later reviewing the budget of the PBO:

That the budget for the Parliamentary Budget Office be set to recognise the required staffing and other resources necessary to enable the Office to carry out its functions and that this be reviewed as the Office develops.<sup>297</sup>

## ACCOUNTABILITY AND OVERSIGHT (INCLUDING APPOINTMENT)

### *Method for selecting the Parliamentary Budget Officer*

- 5.78 One submission to the inquiry recommended an alternative method for selecting the Parliamentary Budget Officer. Unions NSW recommended that "the head of the PBO should be selected on merit and the person to be appointment should be endorsed by 2/3rds majority vote in both the Legislative Assembly and Council."<sup>298</sup> Unions NSW suggested that this would "ensure the head of the PBO will have credibility across the political spectrum and that the findings the PBO makes can't be seen to be partisan."<sup>299</sup>

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<sup>294</sup> Submission No. 13, Mr Stephen Bartos, p. 4.

<sup>295</sup> Submission No. 1, Mr Tony Harris, p. 3.

<sup>296</sup> Submission No. 10, Council of Social Service of NSW, pp. 4-5.

<sup>297</sup> Submission No. 10, Council of Social Service of NSW, p. 5.

<sup>298</sup> Submission No 5, Unions NSW, p. 3.

<sup>299</sup> Submission No 5, Unions NSW, p. 2.

- 5.79 The recommendation from Unions NSW differed from the current method of appointing the Parliamentary Budget Officer. Under the existing legislation the Parliamentary Budget Officer is appointed by the Presiding Officers<sup>300</sup> from a shortlist of candidates selected by a panel comprising the Ombudsman, the Information Commissioner and the Chairperson of the Independent Pricing and Regulatory Tribunal.<sup>301</sup>
- 5.80 In contrast with Unions NSW's submission, NCOSS and Mr Harris, the former Acting Parliamentary Budget Officer, considered that the existing provisions for appointing the Parliamentary Budget Officer were appropriate.<sup>302</sup> Mr Harris stated during the hearing that the current legislation provided an exemplary model:

I might say that the way you appoint a Parliamentary Budget Office under the current legislation is an exemplary model. The Commonwealth has followed New South Wales models before and I think, looking at the model you used, that Act is exemplary.<sup>303</sup>

#### *Long term appointment*

- 5.81 Submissions from both the NSW Business Chamber and NCOSS considered that the long term appointment of the Parliamentary Budget Officer was appropriate and should be retained.
- 5.82 NCOSS noted that the provisions of the Act relating to the appointment and term of the Parliamentary Budget Officer sought to ensure the independence of the Officer, and submitted that the provisions of the Act were appropriate.<sup>304</sup> The NSW Business Chamber recommended "that the PBO retain long-term appointments for the Parliamentary Budget Officer to ensure independence."<sup>305</sup>

#### *Parliamentary oversight*

- 5.83 The oversight of the PBO by two parliamentary committees was raised in the submission from Mr Harris. Section 15 of the Act provides that:

The Presiding Officers are to designate a committee of the Legislative Assembly and a committee of the Legislative Council to which the Parliamentary Budget Officer is to report under this section.

- 5.84 Mr Harris's submission indicated that a single *joint* parliamentary committee may be preferable, and that an amendment to the legislation may be required:

It is not clear whether section 15 of the Act allows the presiding officers to nominate the same (joint house) committee to which a Parliamentary Budget Officer would report. If this uncertainty is confirmed, it could be remedied by legislating a widening

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<sup>300</sup> Note that, for purposes of the Act, if the Presiding Officers both come from the same party, they must make decisions jointly with a deputy Presiding Officer who is from a different party.

<sup>301</sup> *Parliamentary Budget Officer Act 2010*, s 6.

<sup>302</sup> Submission No 10, Council of Social Service of NSW, p. 5; Mr Tony Harris, *Transcript of Evidence*, 21 September 2011, p. 18.

<sup>303</sup> Mr Tony Harris, *Transcript of Evidence*, 21 September 2011, p. 18.

<sup>304</sup> Submission No. 10, Council of Social Service of NSW, p. 3.

<sup>305</sup> Submission No. 12, NSW Business Chamber, p. 4.

of the mandate of an existing statutory joint committee or by the nomination of a new statutory committee.<sup>306</sup>

## Conclusion

5.85 As noted earlier, this chapter reflects the views of a number of the participants in the inquiry. The Committee's recommendations regarding the reform of the Parliamentary Budget Office can be found in Chapter Two of the report.

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<sup>306</sup> Submission No. 1, Mr Tony Harris, p. 7.

## Appendix One – List of Submissions

1	Mr Tony Harris
2	Canadian Office of the Parliamentary Budget Officer
3	CPB Netherlands Bureau for Economic Policy Analysis
4	UK House Of Commons Scrutiny Unit
5	Unions NSW
6	CPA Australia Limited
7	Australian Labor Party
8	Scottish Parliament Financial Scrutiny Unit
9	Business Council Australia
10	Council of Social Service of NSW
11	Department of the House of Representatives
12	NSW Business Chamber
13	Mr Stephen Bartos



## Appendix Two – List of Witnesses

21 September 2011, Macquarie Room, Parliament House

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Witness	Position
Mr Tony Harris	Former Acting Parliamentary Budget Officer

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# Appendix Three – Operational Plan of the Parliamentary Budget Office

## Introduction

The Parliamentary Budget Officer Act 2010 received assent on 1 November, 2010 and an acting Parliamentary Budget Officer was appointed by the President of the Legislative Council and the Speaker of the House of Assembly on 3 February, 2011.

The first operational plan of the Parliamentary Budget Officer is required by law to be prepared as soon as practicable after the commencement of the relevant legislation and after each state election. This operational plan thus covers the period from February 2011 to April 2011.

The plan is required to canvass the objectives of the officer and to include a broad outline of the strategies to be used to achieve those objectives together with a schedule of activities which the officer proposes to undertake.

## Objectives

There are two principal functions of the Parliamentary Budget Officer in the Act and there are thus two key objectives.

At this point in the election cycle, the first goal is to meet quickly and accurately requests of leaders of political parties and Independent members of parliament for a costing of announced or proposed election policies. An associated objective is to provide to party leaders and Independents on 11 March 2011, the date set down in the legislation with respect to the 2011 state elections, a draft report on the budget impact of their election proposals and to publish on 21 March 2011 a final document on the budget impact of the policies they have approved.

The second main objective - this primarily relates to activity outside of the election cycle - is to provide members of parliament with properly based and timely costings of submitted proposals and to prepare within an agreed timetable technical briefings on fiscal, economic and financial matters in which they have expressed an interest.

In addition to these key objectives there are those which are more procedural in nature. One is to fulfil legislated functions in a manner which ensures that confidentiality requirements of the act are met. A further objective is to establish the Parliamentary Budget Office (PBO) to assist the Parliamentary Budget Officer to meet the above-mentioned goals.

## Broad Strategies

In order to meet the timetables set out in law, a small number of staff with general skills will immediately be seconded from within the NSW Parliament. As soon as practicable and following a selection process, staff with costings skills and economic and financial training will be seconded from government agencies.

INQUIRY INTO THE PARLIAMENTARY BUDGET OFFICE  
OPERATIONAL PLAN OF THE PARLIAMENTARY BUDGET OFFICE

In the medium term, the Parliamentary Budget Office will advertise for a small number of permanent staff who will be recruited from applicants from within and outside government.

There will be a need for manuals or procedural documents to guide parliamentary budget officers in how to receive, register and manage requests for costings in the lead-up to the state election and requests for costings and briefings outside of the election cycle.

Legislation also allows the development of guidelines for the preparation of costing requests and the development of such a guideline is an early priority of the office. The guideline should facilitate the making of requests so that the tight timetable envisaged in the first year of operations can be met.

Although it would be feasible for staff to start work on costing policy proposals only after receipt of costing requests, there is merit in preparing for requests in the period before a state election so that, should requests be received late in the process, they can be answered more quickly and accurately.

Budget office staff will need to be briefed on office procedures, with particular emphasis given to the confidentiality provisions of the legislation. System development will also need to recognise these provisions so that electronic information and documentation can be properly protected.

Establishing the parliamentary budget office requires a number of steps additional to recruitment of staff. These include obtaining office space and integrating the new office into parliamentary systems. The Department of Parliamentary Services is overseeing this task on behalf of the Parliamentary Budget Office.

To function effectively, the Parliamentary Budget Office will need to establish relationships with the three existing parliamentary departments and with government agencies, importantly in the first instance with Treasury and the Department of the Premier and Cabinet.

Treasury and the Parliamentary Budget Officer have overlapping functions: during the election period, Treasury is also required to cost promises which an incoming government might wish to implement. It is also plain that the Treasury has much of the available skills and staff which the Parliamentary Budget Officer will need to use in the first months of its work. It thus makes practical and economic sense that the two agencies work as closely together as is permitted by the requirement that the Parliamentary Budget Officer remain independent of government and with the understanding that the Treasury has been established to serve the legitimate needs of government.

Because of its co-ordinating, whole-of-government role, the Department of the Premier and Cabinet is well placed to assist the operations of section 16 of the Act which allows the Parliamentary Budget Officer to request information from government agencies.

#### Schedule of Activities

Liaise with parliamentary departments on seconding parliamentary staff, on systems needed to support a Parliamentary Budget Office, including on office fit-out, directory listings, web-site presentation, long-term office accommodation needs and on the recruitment of seconded staff from government agencies.

JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE  
OPERATIONAL PLAN OF THE PARLIAMENTARY BUDGET OFFICE

Review applications for secondment to the Parliamentary Budget Office, conduct interviews, select staff to be seconded and negotiate with government agencies the start dates of selected seconded staff. Submit recommended names of staff to be seconded to presiding officers.

Meet with the senior staff of the departments of the Treasury and of the Premier and Cabinet on protocols which facilitate work of the Parliamentary Budget Office.

Prepare and issue guidelines to assist leaders of political parties who wish to request costings of announced or proposed election policies.

Develop systems for receiving, registering and managing requests for costing of election promises and proposals in a way which meets the confidentiality requirements of legislation.

Develop a broad guide to the costing of proposals submitted to the Parliamentary Budget Office, including on treatment of interest costs or savings, specification of detailed assumptions, inclusion of overheads and of incidental but necessary linked costs, and the provision of authorities on which reliance has been placed for the costing exercise.

Develop IT systems for recording cost elements of individual proposals and for totalling the impact on the budget for the election proposals of each party leader.

Commence election-time costing exercise by reviewing the publicly advised policy proposals of each leader of a political party, including minor parties and Independents. List for each proposal the assumptions needed to be included and the resource factors that need to be used to determine costs and the sources of data to determine these assumptions and factor costs.

Manage the budget of the Parliamentary Budget Office for 2010-11 (\$1 million for capital and \$1.5 million for recurrent spending) and for 2011-12 (provisionally, \$3 million for recurrent expenditures).

Develop an organisation chart and position descriptions for permanent staff of the Parliamentary Budget Office.

A C Harris  
Acting Parliamentary Budget Officer  
17 February 2011

## Appendix Four – Extract from Minutes

### MINUTES OF PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE (NO. 1)

4.32pm, Thursday, 23 June 2011  
Room 1136, Parliament House

#### Members Present

Mr Barr, Mr Elliott, Ms Fazio, Mr Holstein, Dr Kaye, Mrs Maclaren-Jones, Mrs Mitchell, Mr Provest, and Mr Webber

#### Apologies

Apologies were received from Ms Keneally and Mr Roozendaal.

#### 1. Introduction

The Clerk-Assistant, Procedure, opened the meeting and read the following extracts from the Votes and Proceedings of the Legislative Assembly –

*Legislative Assembly Votes and Proceedings, Thursday 23 June 2011, no. 24, entry no. 12—  
JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE*

*Mr Brad Hazzard moved, by leave, That:*

*(1) A Joint Select Committee be appointed to inquire into and report on the Parliamentary Budget Office, established under the Parliamentary Budget Officer Act 2010.*

*(2) In conducting its inquiry, the Committee consider:*

*(a) the purpose of the Office, and whether the terms of the Act are appropriate; and*

*(b) the role for the Office, including and not limited to its:*

*(i) functions and powers*

*(ii) structure, staffing and resourcing, and*

*(iii) accountability and oversight mechanisms.*

*(3) The Committee may consider the establishment and operation of comparable offices in other jurisdictions.*

*(4) The Committee consist of eleven members comprising:*

*(a) six members of the Legislative Assembly;*

*(b) five members of the Legislative Council.*

*(5) The following members of the Legislative Assembly be appointed to serve on the Committee: Mr Clayton Barr, Mr David Elliott, Mr Chris Holstein, Ms Kristina Keneally, Mr Geoff Provest and Mr Darren Webber.*

*(6) Notwithstanding anything contained in the Standing Orders of either House, at any meeting of the Committee, any six members of the Committee shall constitute a quorum, provided that the Committee meets as a joint committee at all times.*

*(7) The Committee have leave to sit and transact business during the sittings or any adjournment of either House, and despite any prorogation of the Houses of Parliament.*

*(8) The Committee have leave to make visits of inspection within the State of New South Wales and other States and Territories of Australia.*

*(9) A message be sent acquainting the Legislative Council of the resolution and requesting the Legislative Council to appoint five of its members to serve with the members of the Legislative Assembly upon the Committee, and to fix a time and place for the first meeting.*

## 2. Election of Chair and Deputy Chair

Pursuant to Standing Order 282—

Resolved, on the motion of Mr Provest, seconded by Mrs Maclaren-Jones:  
That Mr Elliott be elected Chair of the committee.

Mr Kaye nominated Ms Fazio for the office of Deputy Chair, seconded by Mr Barr.

Mr Provest nominated Mrs Maclaren-Jones for the office of Deputy Chair, seconded by Mr Elliott.

There being two nominations the question was put that Ms Fazio be elected Deputy Chair of the committee.

The Committee divided.

Ayes (3): Mr Barr, Ms Fazio and Dr Kaye.

Noes (6): Mr Elliott, Mr Holstein, Mrs Maclaren-Jones, Ms Mitchell, Mr Provest, and Mr Webber.

Question negatived.

The question was put that Mrs Maclaren-Jones be elected Deputy Chair of the committee.

The Committee divided.

Ayes (6): Mr Elliott, Mr Holstein, Mrs Maclaren-Jones, Ms Mitchell, Mr Provest, and Mr Webber.

Noes (3): Mr Barr, Ms Fazio and Dr Kaye.

Question passed.

Mrs Maclaren-Jones was declared Deputy Chair of the Committee.

## 3. Standard Procedural Motions

Resolved, on the motion (in globo) of Mrs Mitchell, seconded by Mrs Maclaren-Jones:


- 1 That during any committee meeting, if a division or quorum is called in the Legislative Assembly, or either House in the case of joint committees, the proceedings of the committee shall be suspended until the committee regains its quorum at the conclusion of the division or quorum call.
- 2 That pursuant to Legislative Assembly Standing Order 297, draft reports, evidence, submissions or other documents presented to the committee which have not been reported to the House are not to be disclosed or published by any member or by any other person unless first authorised by the committee or the House.
- 3 That press statements on behalf of the committee be made only by the Chair after approval in principle by the committee or after consultation with committee members.


- 4 That the Chair and the nominated Committee Director be empowered to negotiate with the Speaker through the Clerk of the Legislative Assembly for the provision of funds to meet expenses in connection with advertising, operating and approved incidental expenses of the committee.
- 5 That persons having special knowledge of the matters under consideration by the committee may be invited to assist the committee, in accordance with the Legislative Assembly's policy on secondees or consultants.
- 6 That the Chair be empowered to advertise and/or write to interested parties requesting written submissions.
- 7 That arrangements for the calling of witnesses and visits of inspection be left in the hands of the Chair and the Inquiry Manager to the committee.
- 8 That, unless otherwise ordered, witnesses appearing before the committee shall not be formally represented by any member of the legal profession or other advocate.
- 9 That, unless otherwise ordered, when the committee is examining witnesses, the press and public (including witnesses after examination) be admitted to the hearing being conducted by the committee.
- 10 That, unless otherwise ordered, access to transcripts of evidence taken by the committee be determined by the Chair and not otherwise made available to any person, body or organisation: provided that witnesses previously examined shall be given a copy of their evidence; and that any evidence taken in camera or treated as confidential shall be checked by the witness in the presence of the Inquiry Manager to the committee or another officer of the committee.
- 11 That the Chair and the Inquiry Manager make arrangements for visits of inspection by the members nominated by the committee, which members are expected to participate in the full itinerary as scheduled.

#### 4. Deliberation

Mr Elliott took the Chair and addressed the Committee.

The committee adjourned at 4.45pm until a time and date to be determined.

  
\_\_\_\_\_  
Chair

  
\_\_\_\_\_  
Director

## MINUTES OF PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE (NO. 2)

3.02 pm, Friday, 22 July 2011  
Room 1254, Parliament House

### Members Present

Mr Barr, Mr Elliott, Mr Holstein (via teleconference), Dr Kaye, Mrs Maclaren-Jones, Mrs Mitchell, Mr Roozendaal, and Mr Webber (via teleconference).

### Apologies

Apologies were received from Ms Keneally, Ms Fazio and Mr Provest.

### 1. Confirmation of minutes of previous meeting

Resolved, on the motion of Mr Barr, seconded Mr Holstein, that the minutes of the meeting on 23 June 2011 be confirmed.

### 2. Inquiry into the Parliamentary Budget Office

The Chair noted the background material which had been circulated to members prior to the meeting, including: the Parliamentary Budget Officer Bill 2010, proposed amendments to the bill, the Act (as in force) and the relevant debate in Parliament.

The Chair explained the Indicative Inquiry Plan, which had been circulated prior to the meeting.

Committee members discussed strategies to publicise the call for submissions. The Chair advised that the call for submissions would be advertised on the Committee's webpage.

The Committee agreed to write to the list stakeholders, as circulated prior to the meeting, inviting submissions to the inquiry. Committee members also agreed to write to: Unions NSW; Sydney Chamber of Commerce; and the Institute of Chartered Accountants.


The Committee discussed whether to advertise the inquiry in major newspapers. It was agreed the Chair would issue a press release to relevant news and other organisations, providing information about the inquiry and the call for submissions.

The Chair advised of the proposed deadline for submission of 19 August 2011. It was agreed that the Committee should note on its website that submission makers can request an extension to this deadline.

Resolved, on the motion of Mr Roozendaal, seconded Mr Barr, that the Committee call for submissions to the inquiry by 19 August 2011.

### 3. Next meeting

The committee adjourned at 3.19pm until 3pm on 22 August 2011.

  
\_\_\_\_\_  
Chair

  
\_\_\_\_\_  
Director



MINUTES OF PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON  
THE PARLIAMENTARY BUDGET OFFICE (NO. 3)

11.32 am, Thursday 11 August 2011  
Room 1136, Parliament House

**Members Present**

Mr Barr, Mr Elliott, Mr Holstein, Dr Kaye, Ms Keneally and Mr Khan.

**Apologies**

Apologies were received from Ms Fazio, Mrs Maclaren-Jones, Mr Provest, Mr Roozendaal and Mr Webber.

The Chair noted that the Hon. Sarah Mitchell MLC had been replaced by the Hon. Trevor Khan MLC and welcomed Mr Khan to the committee.

**1. Submission from Tony Harris**

The Chair noted that the committee received a submission from Mr Tony Harris, the former Acting Parliamentary Budget Officer.

Resolved on the motion of Dr Kaye, seconded Mr Holstein, that the committee acknowledges receipt of the submission from Mr Tony Harris.


Resolved on the motion of Dr Kaye, seconded Mr Barr, that Submission No.1 be authorised for publication and uploaded on the Committee's website.

**2. General Business**

The committee agreed that staff would circulate to members the final report of the Commonwealth Joint Select Committee on the Parliamentary Budget Office and the Government response to that report.

**3. Date and time of next meeting**

The committee adjourned at 11.36 am, until 3.00 pm on 22 August 2011.

  
\_\_\_\_\_  
Chair

  
\_\_\_\_\_  
Director

## MINUTES OF PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE (NO. 4)

3.05 pm, Monday 22 August 2011  
Room 1254, Parliament House

### Members Present

Mr Barr, Mr Elliott, Dr Kaye, Ms Keneally, Mr Khan, Mrs Maclaren-Jones, Mr Provest, Mr Roozendaal

### Apologies

Apologies were received from Ms Fazio, Mr Holstein and Mr Webber

#### 1. Confirmation of minutes of previous meetings

Resolved on the motion of Mrs Maclaren-Jones, seconded Mr Barr, that the minutes of the meeting on 22 July and 11 August 2011 be confirmed.

#### 2. Publication of submissions received

Resolved on the motion of Mr Khan, seconded Mr Barr, that Submission numbers 2 to 8 and the annex to Submission 1 be authorised for publication and uploaded on the Committee's website.

The Chair informed members that a number of organisations and individuals had been granted extensions and would be providing their submissions this week. Discussion ensued.

#### 3. Public hearing – 21 September 2011

The Chair noted that the committee's upcoming public hearing is scheduled for 21 September, from 10.00am in the Macquarie Room.


The Chair informed members that Mr Tony Harris has indicated that he is available to give evidence at the hearing.

Resolved on the motion of Mr Barr, seconded Mrs Maclaren-Jones, that the Committee invite Tony Harris to attend and give evidence at the hearing on 21 September.

#### 4. General Business

The committee discussed arrangements for the hearing and the calling of witnesses. The Chair informed members that he would circulate a list of proposed witnesses for members' comments prior to the hearing, following the receipt of late submissions.

The committee adjourned at 3.14pm, until 10.00am on 21 September 2011.

  
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Chair

  
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Director

## MINUTES OF PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE (NO. 5)

10.01 am, Wednesday 21 September 2011

Macquarie Room, Parliament House

### Members Present

Mr Barr, Mr Elliott, Dr Kaye, Ms Keneally, Mr Khan, Mrs Maclaren-Jones, Mr Provest, Mr Roozendaal, Mr Secord

### Apologies

Apologies were received from Mr Holstein and Mr Webber

## PUBLIC HEARING

### 1. Public Hearing for the Inquiry into the Parliamentary Budget Office

The Chair declared the hearing open at 10.01 am and made an opening statement.

Mr Tony Harris, Former Acting Parliamentary Budget Officer, affirmed and examined. Mr Harris's submission was included as part of his evidence.

The Chair noted that the Committee might wish to send Mr Harris some additional questions in writing, the replies to which would form part of his evidence and be made public. Mr Harris agreed to provide a written reply to any further questions.

Evidence concluded, the Chair thanked the witness for his attendance and the witness withdrew.

The Chair closed the public hearing at 11.30 am.

## DELIBERATIVE MEETING

The Chair opened the deliberative meeting at 11.31 am.

### 1. Confirmation of minutes of previous meeting

Resolved on the motion of Dr Kaye, seconded Mr Barr, that the minutes of the meeting on 22 August 2011 be confirmed.

### 2. Publication of submissions received

Resolved on the motion of Mr Roozendaal, seconded Mrs Maclaren-Jones, that submission numbers 9 to 13 be authorised for publication and uploaded on the Committee's website.

### 3. Publication of the transcript the public hearing


Resolved on the motion of Dr Kaye, seconded Mrs Maclaren-Jones, that the transcript of the witness' evidence be published on the Committee's website, after making corrections for recording inaccuracy, together with the answers to any questions taken on notice in the course of today's hearing.

#### 4. General Business

The Chair noted that staff would circulate to members a number of news articles regarding Parliamentary Budget Offices – both the New South Wales office and the proposed Commonwealth office.

The Committee discussed the future progress of the inquiry and agreed that staff would contact members to determine availability for a meeting sometime during the first sitting week in October.

The committee adjourned at 11.36 am.

  
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Chair  
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Director

MINUTES OF PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON  
THE PARLIAMENTARY BUDGET OFFICE (NO. 6)

9.03 am, Thursday 20 October 2011  
Room 1043, Parliament House

**Members Present**

Mr Elliott (Chair), Mr Barr, Dr Kaye, Ms Keneally, Mr Khan, Mrs Maclaren-Jones, Mr Roozendaal, Mr Secord, Mr Webber.

**Apologies**

Apologies were received from Mr Provest and Mr Holstein.

**Staff**

Carly Sheen, Dora Oravec and John Miller were in attendance.

**1. Confirmation of minutes of previous meeting**

Resolved on the motion of Mr Khan, seconded Mr Barr, that the minutes of the meeting on 21 September 2011 be confirmed.

**2. Discussion of options for reform**

The Chair invited members to raise options for the reform of the Parliamentary Budget Office and proposals for amending the relevant legislation.

Discussion ensued.


**3. General Business**

There were no general business matters.

**4. Date and time of next meeting**

The Committee agreed that staff would contact members to determine availability for the next deliberative meeting.

The committee adjourned at 9.40 am.

  
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Chair

  
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Director

## MINUTES OF PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE (NO. 7)

8.34 am, Tuesday 22 November 2011  
Macquarie Room, Parliament House

### Members Present

Mr Elliott (Chair), Mr Barr, Mr Holstein, Dr Kaye, Ms Keneally, Mr Khan, Mrs Maclaren-Jones, Mr Provest, Mr Roozendaal, Mr Secord, Mr Webber.

### Staff

Ronda Miller, Carly Sheen, Dora Oravec, John Miller and Jenny Whight were in attendance.

### 1. Confirmation of minutes of previous meeting

Resolved on the motion of Mr Khan, seconded Mrs Maclaren-Jones, that the minutes of the meeting on 20 October 2011 be confirmed.

### 2. Consideration of Chair's draft report

The Committee proceeded to consider the Chair's draft report as previously circulated.

Mr Secord moved, seconded Mr Barr, that the Committee consider the report line by line.

Discussion ensued. Question put.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Mr Webber moved, seconded Mrs Maclaren-Jones, that the Committee consider the report chapter by chapter.

Discussion ensued. Question put.

The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Noes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Question resolved in the affirmative.

Mr Secord moved, seconded Mr Barr, that the Chair's foreword be tabled.

Discussion ensued. Question put.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

### Chapter One

Resolved on the motion of Mrs Maclaren-Jones, seconded Mr Barr, that Chapter One stand part of the report.

### Chapter Two

#### *Paragraph 2.2*

Mr Barr moved, seconded Ms Keneally, that the word "widely" be deleted and "unanimously" be inserted instead.

Discussion ensued. Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Mr Barr moved, seconded Ms Keneally, that the word "many" be deleted and "all" be inserted instead.

Discussion ensued. Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

#### *Paragraph 2.6*

Mr Barr moved, seconded Ms Keneally, that paragraph 2.6 be deleted.

Discussion ensued. Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Resolved on the motion of Mr Barr, seconded Mr Secord, that "the majority of" be inserted before the words "the Committee".

#### *Paragraph 2.7*

Mr Barr moved, seconded Mr Secord, that the words "This would give weight to the need for an on-going and permanent PBO." be inserted after the word "Government.".

Discussion ensued. Mr Barr withdrew the motion.

#### *Paragraph 2.29*

Mr Barr moved, seconded Ms Keneally, that paragraph 2.29 be deleted.

Discussion ensued.

Mrs Maclaren-Jones moved, seconded Mr Webber, that the question be put.

The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Noes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Question resolved in the affirmative.

Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Mr Khan moved, seconded Mr Holstein, that the words "In light of the evidence," be deleted and "The majority of" be inserted instead.

Discussion ensued. Question put that Mr Khan's amendment be agreed to.

The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Noes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Question resolved in the affirmative.

Ms Keneally moved, seconded Mr Roozendaal, that the words "despite the fact that none of the submissions supported this." be inserted at the end of the paragraph.

Discussion ensued. Question put that Ms Keneally's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

*Paragraph 2.30*

Mr Barr moved, seconded Mr Roozendaal, that the second sentence of the paragraph be deleted.

Discussion ensued.

Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Resolved on the motion of Mr Khan, seconded Mr Holstein, that the words "majority of the" be inserted after the words "However, the" in the second sentence.

*Paragraph 2.31*

Mr Secord moved, seconded Mr Barr, that paragraph 2.31 be deleted.

Discussion ensued.

Question put that Mr Secord's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Mr Khan moved, seconded Mr Holstein, that the words "majority of the" be inserted after the words "Accordingly, the" in the first line.

Upon which Mr Barr moved, seconded Ms Keneally, that the motion be amended by replacing the word "majority" with the word "some".

Discussion ensued. Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Question put that Mr Khan's original amendment be agreed to.

The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Noes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Question resolved in the affirmative.

Resolved on the motion of Mr Khan, seconded Mr Holstein, that the words "majority of the" be inserted before the word "Committee" in the third line of the paragraph.



Mr Barr moved, seconded Ms Keneally, that the second and third sentences of paragraph 2.31 be deleted.

Discussion ensued. Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Mr Barr moved, that the word "enable" be deleted and replaced with the word "disable".

Mr Barr withdrew the motion.

#### *Paragraph 2.32*

Resolved on the motion of Mr Khan, seconded Mr Holstein, that the words "majority of the" be inserted before the word "Committee".

#### *Recommendation 2*

Mr Khan moved, seconded Mr Holstein, that Recommendation 2 stand part of the report.

Upon which Mr Roozendaal moved, seconded Mr Barr, that the words "commence on 1 October of the year prior to a State Election and conclude when the Officer's report is tabled in Parliament" be deleted and the words "be for four years, commencing from 1 December 2011" be inserted instead.

Discussion ensued.

Question put that the recommendation stand part of the report.

The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Noes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Question resolved in the affirmative.

#### *Recommendation 3*

Mrs Maclaren-Jones moved, seconded Mr Holstein, that Recommendation 3 stand part of the report.

Upon which Mr Roozendaal moved that the words "sole functions" be deleted, the word "functions" be inserted instead; and the words "and other costings as requested by members of Parliament." be inserted at the end of the sentence.

Discussion ensued.

Question put that the recommendation stand part of the report.

The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Noes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal

Question resolved in the affirmative.

#### *Recommendation 4*

Resolved on the motion of Mr Khan, seconded Mr Webber, that Recommendation 4 stand part of the report.

#### *Paragraph 2.41*

Mr Barr moved, seconded Ms Keneally, that paragraph 2.41 be deleted from the report.

Discussion ensued.

Question put that the paragraph stand part of the report.

The Committee divided.

JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE  
EXTRACT FROM MINUTES

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan  
Noes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal  
Question resolved in the affirmative.

Dr Kaye arrived at 10.01 am.

**Adjournment of meeting**

Mr Khan moved, seconded Mrs Maclaren-Jones, that the meeting be now adjourned until 9.00 am on Wednesday, 23 November 2011.

Discussion ensued. Question put that the meeting be now adjourned.


The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Noes: Mr Secord, Ms Keneally, Mr Roozendaal, Mr Barr, Dr Kaye

Question resolved in the affirmative.

The Committee adjourned at 10.02 am, until 9.00 am on Wednesday, 23 November 2011.

  
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Chair

  
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Director

## MINUTES OF PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE (NO. 8)

9.01 am, Wednesday 23 November 2011

Macquarie Room, Parliament House

### Members Present

Mr Elliott (Chair), Mr Barr, Mr Holstein, Dr Kaye, Ms Keneally, Mr Khan, Mrs Maclaren-Jones, Mr Provest, Mr Roozendaal, Mr Secord, Mr Webber.

### Staff

Ronda Miller, Carly Sheen, Dora Oravec, John Miller and Jenny Whight were in attendance.

### 1. Confirmation of minutes of previous meeting

Mr Secord moved, seconded Ms Keneally, that the minutes be amended to restore the proceedings that have been expunged.

Discussion ensued. Question put.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

The Committee discussed the allocation of time for considering the remainder of the report during the meeting.

Mrs Maclaren-Jones moved, seconded Mr Webber, that the minutes of the meeting on 22 November 2011 be confirmed.

Discussion ensued. Question put.

The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Noes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal, Dr Kaye

Question resolved in the affirmative.

### 2. Consideration of Chair's draft report

The Committee continued to consider the Chair's draft report as previously circulated.

#### *Paragraph 2.42 – 2.47*

Mrs Maclaren-Jones moved, that paragraphs 2.42-2.47 stand part of the report.

Upon which Mr Barr moved, seconded Ms Keneally, that paragraph 2.42 be amended to insert "the coalition members of" after the fourth word of the first sentence.

Upon which, Mr Khan moved, seconded Mr Webber, that Mr Barr's amendment be amended to omit "coalition members" and insert "majority" instead.

Discussion ensued. Question put that Mr Khan's amendment be agreed to.

The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Noes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal, Dr Kaye

Question resolved in the affirmative.

Resolved on the motion of Mr Khan, that paragraph 2.42 be amended to insert "the majority of" after the fourth word of the first sentence.

Mr Barr moved, seconded Ms Keneally, that paragraph 2.45 be amended to omit the words "election period" and insert instead "four year period".

Question put that paragraph 2.45 stand part of the report.

The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Noes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal, Dr Kaye

Question resolved in the affirmative.

Following the division, Mr Barr spoke, by leave of the Committee, to his amendment.

Mr Barr moved, seconded Ms Keneally, that paragraph 2.45 be amended to omit the words "election period" and insert instead "four year period".

Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Resolved on the motion of Mr Barr, seconded Mr Khan, that paragraph 2.47 be amended to insert the words "majority of the" before the word "Committee".

#### *Paragraph 2.48*

Mr Barr moved, seconded Ms Keneally, that paragraph 2.48 be amended to insert the words "in spite of no evidence, the majority of" before "the Committee".

Discussion ensued.

Upon which Dr Kaye moved, that Mr Barr's motion be amended to omit "in spite of no evidence" and insert instead "in the absence of any evidence"

Discussion ensued.

Question put that paragraph 2.48 be amended to insert "in the absence of any evidence, the majority of" before "the Committee".

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

#### *Paragraph 2.50*

Ms Keneally moved, seconded Mr Barr, that paragraph 2.50 be amended to:

- insert the words ", in the absence of any evidence," after "funding";
- insert "majority of the" before "Committee";
- omit the words "six months" and insert "full four year term"; and
- omit the last sentence.

Discussion ensued. Question put that Ms Keneally's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan  
Question resolved in the negative.

Dr Kaye moved, seconded Mr Roozendaal, that paragraph 2.50 be amended to insert at the end of the paragraph the words "These cost savings would be achieved by substantial reductions in the services provided by the PBO."

Discussion ensued. Question put that Dr Kaye's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

*Paragraph 2.51*

Dr Kaye moved, seconded Mr Roozendaal, that after paragraph 2.51 a new paragraph 2.51A be inserted, consisting of the words "The Committee notes that these conclusions were made in the absence of any cost benefit analysis of the PBO."

Discussion ensued. Question put that Dr Kaye's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Mr Roozendaal, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Mr Khan moved, seconded Mrs Maclaren-Jones, that Chapter 2, as amended, stand part of the report.

Discussion ensued.

Upon which Mr Barr moved, seconded Ms Keneally, that the motion be amended to omit "as amended, stand part of the report" and insert instead "be amended as follows:

*Paragraph 2.52*

Omit "at the conclusion of his or her appointment, rather than".

*Paragraph 2.53*

Omit paragraph

*Paragraph 2.54*


Omit "within three months of the election date" and insert instead "annually", and consequential amendments.

*Recommendation 5*

Omit "at the completion of his or her appointment".

*Paragraph 2.58—*

The Chair adjourned the meeting at 10.01 a.m. until a time to be determined.

  
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Chair

  
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Director

## MINUTES OF PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE (NO. 9)

8.31 am, Thursday 24 November 2011  
Room 1136, Parliament House

### Members Present

Mr Elliott (Chair), Mr Barr, Mr Holstein, Dr Kaye, Ms Keneally, Mr Khan, Mrs Maclaren-Jones, Mr Provest, Mr Secord, Mr Webber.

### Apologies

Mr Roozendaal

### Staff

Carly Sheen, Dora Oravec, John Miller and Jenny Whight were in attendance.

### 1. Consideration of Chair's draft report

The Committee continued to consider the Chair's draft report.

The Chair noted that the motion under consideration was Mr Barr's amendment to Mr Khan's motion from the previous meeting. The Chair invited Mr Barr to continue outlining his amendment.

#### *Paragraph 2.61*

Insert "as a result of its short term engagement" after the words "budget impact statement"; and insert at the end of the paragraph "As such, the failings of the PBO in 2011 are highly likely to be repeated in future years, without adequate time and resources allocated to the PBO."

Mr Khan suggested that the parts of Mr Barr's amendment should be dealt with *in seriatim*. Discussion ensued.

Dr Kaye raised a point of order.

The Chair ruled that the Committee continue to consider Mr Barr's amendment to Mr Khan's original motion.

Dr Kaye moved a motion of dissent from the Chair's ruling.

The Chair suggested that Mr Barr's amendments to paragraphs 2.52 to 2.61 be dealt with *in globo*, and that further amendments to Chapter Two be dealt with *in seriatim*.

Dr Kaye withdrew his motion of dissent.

Mr Barr moved, seconded Ms Keneally, that Mr Barr's amendments to paragraphs 2.52 to 2.61 be agreed to.

Question put.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

*Paragraph 2.62*

Mr Barr moved that the words "If a Parliamentary Budget Officer is engaged for just six months, this would be a difficult challenge" be inserted at the end of the paragraph.  
Discussion ensued. Mr Barr withdrew the motion.

*Paragraph 2.65*

Mr Barr moved that the following paragraphs be inserted after paragraph 2.65:

- 2.65A If a Parliamentary Budget Officer is engaged for just six months, this would be a difficult challenge.
- 2.65B If a term of just six months is applied, it would be difficult for the PBO to meet the fifteenth day requirement.
- 2.65C It was recognised by Mr Harris that "time limitations" would minimise the effectiveness of the PBO.

Upon which Mr Khan moved, seconded Mr Holstein, that Mr Barr's motion be amended to insert the following words at the beginning of paragraph 2.65A "The minority of the Committee were of the view that"; and to omit paragraphs 2.65B and 2.65C.

Discussion ensued.

Mr Khan withdrew his amendment.

Discussion ensued. Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Ms Keneally moved, seconded Mr Secord, that the following paragraph be inserted after paragraph 2.65:

- 2.65A It was recognised by Mr Harris that "time limitations" would minimise the effectiveness of the PBO.

Ms Keneally requested that the motion be held over to allow her to find the relevant citation in the transcript of evidence.

*Paragraph 2.66*

Mr Barr moved that all words after "will" be omitted and the following be inserted instead "not be possible, if the term of office for the PBO is limited to just six months. However, in the event of a full time appointment, assessment of policies will be significantly enhanced."

Upon which Dr Kaye moved that Mr Barr's motion be amended such that the following paragraph be inserted at the end of paragraph 2.66:

- 2.66A However, the provision of the facility for the PBO to release subsequent budget impact statements would provide greater flexibility during the final weeks of an election campaign, increasing the likelihood that the electorate is

provided with an accurate assessment of the budgetary impact of each party's election policies.

Discussion ensued.

Mr Barr agreed to Dr Kaye's amendment.

Question put that Mr Barr's motion, as amended, be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

*Paragraph 2.67*

Dr Kaye moved that the following paragraph be inserted following paragraph 2.67:

2.67A The Committee reasonably anticipates that the development of additional budget impact statements will impose additional operating costs on the PBO.

Discussion ensued. Question put that Dr Kaye's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

*Paragraph 2.71*

Mr Barr moved, seconded Ms Keneally, that words be inserted at the end of the paragraph to reflect the limitations imposed by a 6 month term on such statements.

Discussion ensued. Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

Dr Kaye moved that the following words be inserted at the end of paragraph 2.71 ", while recommending that the Parliament be mindful of the constraints imposed on the capacity of the PBO by the limits on its tenure."

Upon which Ms Keneally moved, seconded Mr Secord, that Dr Kaye's motion be amended to include the following quote from the public hearing:

"We had no opposition policies. There was a time when the Leader of the Opposition speculated that he might change the arrangements already indicated publicly and send policies to the Parliamentary Budget Office for costing, but that did not eventuate. There were some complaints by the Opposition that the PBO was not in a position to cost that work. Indeed, we had staff available from very early on to undertake costings and, as I have already indicated, staff had nothing to do except pre-emptive work. The costing of Opposition policies would be a matter of significantly difficult workload compared with Government costings. I say that on the assumption that a government has asked Treasury to cost policies before they come to the PBO. It makes sense for governments to do that: they have an incentive to do that—and because they did do that it made our costing task much easier. The Opposition on the other hand need not do any costing exercise, just



provide us with the bare bones of policy and, unless we had time to build up an expertise—which we didn't—unless the PBO had some years to build up an expertise to gain data it would be very difficult to cost opposition policies in as quick a time frame as we costed the policies."

Dr Kaye agreed to Ms Keneally's amendment.

Discussion ensued.

Question put that Dr Kaye's motion, as amended, be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Webber, Mr Holstein, Mr Khan

Question resolved in the negative.

*Recommendation 8*

Resolved on the motion of Dr Kaye, seconded Mrs Maclaren-Jones, that the following words be inserted at the end of Recommendation 8 ", and to provide resources to facilitate that clarity."

*Paragraph 2.73*

Mr Barr moved, seconded Dr Kaye, that the following paragraph be inserted after paragraph 2.73:

2.73A The Committee recommends that costings provided through the PBO should be exempted, by legislation, from a call for papers.

Discussion ensued. Question put that Mr Barr's amendment be agreed to.

The Committee divided.

Ayes: Mr Secord, Ms Keneally, Mr Barr, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein

Question resolved in the negative.

The Chair foreshadowed that this section of the report would be reconsidered during the Committee's next meeting, prior to which Committee staff would circulate a proposed amendment.

## 2. Confirmation of minutes of previous meeting

Moved Mr Provest, seconded Mr Webber, that the minutes of the meeting on 23 November 2011 be confirmed.

Discussion ensued.

The Chair advised that consideration of the minutes of 23 November would be deferred until the Committee's next meeting.

The Chair adjourned the meeting at 9.34 a.m. until a time to be determined.

  
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Chair

  
\_\_\_\_\_  
Director

## MINUTES OF PROCEEDINGS OF THE JOINT SELECT COMMITTEE ON THE PARLIAMENTARY BUDGET OFFICE (NO. 10)

3.45 pm, Friday 25 November 2011  
Room 1136, Parliament House

### Members Present

Mr Elliott (Chair), Mr Holstein, Dr Kaye, Ms Keneally, Mr Khan, Mrs Maclaren-Jones, Mr Provest, Mr Roozendaal, Mr Webber.

### Apologies

Mr Barr, Mr Secord

### Staff

Carly Sheen, Dora Oravec, John Miller and Jenny Whight were in attendance.

### 1. Confirmation of minutes of previous meetings

Moved Mrs Maclaren-Jones, seconded Mr Provest, that the minutes of the meetings on 23 and 24 November 2011 be confirmed.

### 2. Consideration of Chair's draft report

The Committee continued to consider the Chair's draft report.

The Chair invited Ms Keneally to return to her motion to insert paragraph 2.65A, which was held over during the previous meeting.

#### *Paragraph 2.65*

Ms Keneally moved that after paragraph 2.65 a new paragraph 2.65A be inserted, consisting of the following words:

2.65A It was recognised by Mr Harris that a short term PBO would minimise the effectiveness of the office. This was reflected in his testimony to the Committee:

There are two questions there. One is: How does the PBO prepare for opposition policies? Basically, if you had a PBO up and running now the office has a bit less than four years to collect data from departments—such as: What is the costing of having an extra policeman and what is the costing of an ambulance station? It could start to build up data, probably working with Treasury and getting data from Treasury so that it would have the Lego blocks, as it were, should a request come in.<sup>307</sup>

Yes. I think that second function, which is the non-costing function, is a function of the Parliamentary Budget Office that is underrated. You could get the Parliamentary Budget Office to do all sorts of things, as the Dutch do. The Dutch are a kind of Treasury. You can model it on that basis. The two most important functions are the costing exercise and, more importantly, assisting in the debate about issues that affect the State's financial budget and economic position. I think that is a very important function that the Parliamentary Budget Office can assist with.<sup>308</sup>

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<sup>307</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 2.

<sup>308</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 11.

**CHAIR:** Mr Harris, that comes back to comments made in submissions: the practical time frames that parliamentary leaders work under in election campaigns, as I am sure Ms Keneally can recall. It means that many of the big ticket items are left until the end of the campaign. How do you cost an election promise that is made a week before polling day and get that message out?

**Mr HARRIS:** There are a couple of questions there. If they are rare enough the office would have the capacity to do it. If we are deluged with uncostered policies five days out from the election we are not going to be able to do them all. If you have incidental ones you can do them. How to make them public? At the moment it is very difficult to make them public in a meaningful way under the current legislation. But the submission does suggest if you allow the Parliamentary Budget Office every time it releases a costing to update the budgetary impact—on day one you have these policies and on day two you take that as your base and add these in—then you can actually provide the information to the public.<sup>309</sup>

Upon which Dr Kaye moved that Ms Keneally's motion be amended to omit the word "minimise" and insert instead "reduce".

Discussion ensued. Ms Keneally agreed to Dr Kaye's amendment.  
Question put that Ms Keneally's amendment, as amended, be agreed to.  
The Committee divided.  
Ayes: Ms Keneally, Mr Roozendaal, Dr Kaye  
Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Webber, Mr Holstein, Mr Khan  
Question resolved in the negative.

*Paragraphs 2.76 – 2.77*

The Chair noted that a schedule of Chair's amendments had been circulated to members.

Mr Elliott moved, as per the schedule of amendments, that paragraphs 2.76 and 2.77 be omitted and the following words be inserted instead:

- 2.76 The Committee notes that the Act provides that the Parliamentary Budget Officer, or PBO staff, must not disclose any information relating to costings, except to the parliamentary leader who made the request or to other staff of the PBO. The only exclusions to these confidentiality provisions are: if the information is already public; if it is authorised to be published by the Act; or if the information was acquired outside of the costing process.
- 2.77 However, as noted earlier the Committee received evidence from Mr Harris that, in the absence of any protection in the legislation, the Parliamentary Budget Officer may have to provide papers relating to costings to Parliament.
- 2.77A The Committee considers that the potential release of information relating to unannounced or withdrawn election policies may reduce parliamentary leaders' confidence in the costing process. The Committee is of the view that the Act must provide sufficient protection to ensure the confidentiality of costing requests and PBO costings in the event of an order for papers by either House of Parliament.

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<sup>309</sup> Mr Tony Harris, *Transcript of evidence*, 21 September 2011, p. 15.

2.77B Therefore the Committee is recommending that legislative provisions be considered to ensure that information or documents relating to costing requests and PBO costings of unannounced or withdrawn election policies be exempt from an order for papers.

and that the Finding on page 18 be omitted and the following Recommendation be inserted instead:

**Recommendation 9: That legislative provisions be considered to ensure that information or documents relating to costing requests and PBO costings of unannounced or withdrawn election policies remain confidential to the PBO and the parliamentary leader that has requested the costing. Such confidentiality provisions must extend to an order for papers by either House of Parliament.**

Upon which Dr Kaye moved that the words "to Parliament" be omitted from paragraph 2.77 and the words "by an order of a House of Parliament" be inserted instead; and that the following words be inserted after the first sentence of paragraph 2.77A, "The potential for public ridicule could constrain the willingness of parliamentary leaders to explore innovative policy ideas."

Discussion ensued. Mr Elliott agreed to Dr Kaye's amendments.  
Resolved on the motion of Mr Elliott, seconded Dr Kaye, that the Chair's schedule of amendments, as amended, stand part of the report.

*Paragraph 2.81*

Dr Kaye moved that the following words be omitted, "In light of the evidence from Mr Harris, and given the proposed six month operating period of the PBO, the Committee" and insert instead "Given that the majority of the Committee supports the six month operating period of the PBO, the majority of the Committee".

Upon which Mr Elliott moved that Dr Kaye's motion be amended to retain the words "In light of the evidence from Mr Harris, and" at the beginning of the sentence.

Discussion ensued.  
Resolved on the motion of Ms Keneally, that Dr Kaye's amendment, as amended, stand part of the report.

*Adoption of Chapter 2*

Mr Khan moved, seconded Mr Holstein, that Chapter 2, as amended, stand part of the report.

Discussion ensued. Question put.

The Committee divided.

Ayes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Holstein, Mr Khan

Noes: Ms Keneally, Mr Roozendaal, Dr Kaye

Question resolved in the affirmative.

**Chapter 3**

*Paragraphs 3.1 – 3.17*

Resolved on the motion of Mrs Maclaren-Jones, seconded Mr Provest, that paragraphs 3.1 to 3.17 stand part of the report.

*Paragraph 3.21*

Dr Kaye moved that the following words be added at the end of the paragraph, "as well as providing ongoing costing and budgetary advice to members of Parliament."

Discussion ensued.

Dr Kaye withdrew the motion.

*Paragraph 3.26*

Ms Keneally moved, seconded Dr Kaye, that after paragraph 3.26 the following paragraph 3.26A be inserted:

3.26A The PBO, as proposed by the Parliamentary Budget Officer Bill 2010 and aims of the office, was premised on a continually operating PBO.

Discussion ensued. Question put that Ms Keneally's amendment be agreed to.

The Committee divided.

Ayes: Ms Keneally, Mr Roozendaal, Dr Kaye

Noes: Mr Elliott, Mrs Maclaren-Jones, Mr Provest, Mr Holstein, Mr Khan

Question resolved in the negative.

*Paragraph 3.27*

Resolved on the motion of Ms Keneally, that after paragraph 3.27 the following paragraph 3.27A be inserted:

3.27A In the 2011 State Election, the Government used the PBO, while the Opposition did not.

*Paragraph 3.29*

Dr Kaye moved that after paragraph 3.29 the following paragraph 3.29A be inserted:

3.29A The passage of the PBO Act in late 2010 did not allow time for the PBO to exercise its functions in respect of: the preparation of non-election policy costings; and providing members of Parliament analysis, advice or briefings of a technical nature on financial, fiscal and economic matters. Subsequent to the 2011 Election, finances and personnel were not available to the PBO to fully exercise these functions.

Upon which the Chair moved that Dr Kaye's motion be amended to insert the following words at the end of the paragraph, "It is noted that the Government announced an inquiry into the PBO in 2011."

Resolved on the motion of Dr Kaye, that Dr Kaye's amendment, as amended, stand part of the report.

*Paragraph 3.35*

Ms Keneally moved, seconded Dr Kaye, that after paragraph 3.35 the following paragraph 3.35A be inserted:

3.35A The submission by Mr Harris identifies that the ability to provide a costing as soon as possible would be enhanced by a continuous appointment.

Discussion ensued. Question put that Ms Keneally's amendment be agreed to.

The Committee divided.

Ayes: Ms Keneally, Dr Kaye  
Noes: Mr Elliott, Mr Provest, Mr Holstein, Mr Khan  
Question resolved in the negative.

*Paragraph 3.46*

Ms Keneally moved, seconded Dr Kaye, that after paragraph 3.46 the following paragraph 3.46A be inserted:

3.46A Non-election costings are highly unlikely if the PBO is only operating for six month.

Discussion ensued. Question put that Ms Keneally's amendment be agreed to.  
The Committee divided.

Ayes: Ms Keneally, Dr Kaye  
Noes: Mr Elliott, Mr Provest, Mr Holstein, Mr Khan  
Question resolved in the negative.

*Adoption of Chapter 3*

Resolved on the motion of Mr Holstein, seconded Mr Provest, that Chapter 3, as amended, stand part of the report.

**Chapter 4**

Resolved on the motion of Mr Provest, seconded Dr Kaye, that Chapter 4 stand part of the report.

**Chapter 5**

Resolved on the motion of Dr Kaye, seconded Mr Holstein, that Chapter 5 stand part of the report.

**Foreword**

Dr Kaye moved that a minority foreword be inserted at the beginning of the report to reflect the views of the Committee members who did not agree with the report.

Discussion ensued.

Dr Kaye withdrew the motion.

Dr Kaye moved, seconded Ms Keneally, that there be given an opportunity to the Labor and Green members to express a dissenting view somewhere in the report.

Discussion ensued. Question put that Dr Kaye's motion be agreed to.

The Committee divided.

Ayes: Ms Keneally, Dr Kaye  
Noes: Mr Elliott, Mr Provest, Mr Holstein, Mr Khan  
Question resolved in the negative.

Ms Keneally moved that the Chair give an even-handed account of the Committee's deliberations in his foreword.

Discussion ensued.

Resolved on the motion of Ms Keneally, seconded Dr Kaye, that the Chair acknowledges in his Foreword that Labor and Greens members of the Committee had a contrary view to the majority.

**Adoption of the report**

Mr Provest moved, seconded Mr Holstein, that the draft report, as amended, be the report of the Committee and that it be signed by the Chair and presented to the House.

Question put that Mr Provest's motion be agreed to.

The Committee divided.

Ayes: Mr Elliott, Mr Provest, Mr Holstein, Mr Khan

Noes: Ms Keneally, Dr Kaye

Question resolved in the affirmative.

Resolved on the motion of Mr Holstein, seconded Mr Provest, that the Chair and committee staff be permitted to correct stylistic, typographical and grammatical errors.

Resolved on the motion of Mr Provest, seconded Mr Holstein, that, once tabled, the report be placed on the Committee's website.

The Chair noted that committee staff would provide members a copy of the amended report, prior to the tabling of the report.

The Chair closed the meeting at 4.51 p.m.

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Chair

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Director