

Agreement in Principle

Mr MICHAEL DALEY (Maroubra—Minister for Police, and Minister for Finance) [5.14 p.m.]: I move:

That this bill be now agreed to in principle.

The object of the Parliamentary Budget Officer Bill 2010 is to establish the independent statutory office of Parliamentary Budget Officer to provide independent costings of election promises and, outside pre-election periods, to provide independent costings of proposed policies of members of Parliament. The officer will also provide independent analysis, advice or briefings of a technical nature on financial, fiscal and economic matters to individual members of Parliament. This is a significant parliamentary reform that breaks new ground in Australia and is in line with the wider democratic reforms that the Premier introduced in this Parliament recently. The Parliamentary Budget Office [PBO] will be a truly independent arm of the Legislature and will serve this Parliament and the people of New South Wales well.

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. 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. The method of appointing the Parliamentary Budget Officer will be through a committee of senior government officials who will make recommendations to the Presiding Officers of the Parliament, who will in turn make the final appointment for an initial term of nine years.

The panel of senior government officials will consist of the NSW Ombudsman, the chairperson of the Independent Pricing and Regulatory Tribunal, and the New South Wales Information Commissioner. Significantly, the Parliamentary Budget Officer will be accountable to the Parliament, not the Executive, in order to ensure accountability and transparency between the Legislature and the Executive, and generally in regard to budget information and analysis, including costing of commitments made during election campaigns to achieve a higher level of governance. The New South Wales Parliamentary Budget Office will serve both the majority and the minority and may, by resolution of the Parliament, be asked to report to a nominated parliamentary committee or committees. It is envisaged that the PBO may be asked to appear before one committee of the Legislative Council and one committee of the Legislative Assembly for examination purposes.

The Parliamentary Budget Office will operate under an operational plan submitted to the Presiding Officers of the Parliament and updated on a rolling basis. The operational plan will deal with a range of matters relating to the activities of the PBO, including establishment, staffing, resourcing, frequency of reporting, scope of activities, and related matters. The office will have a small, but highly trained staff, whose calibre will reflect the office's status as an independent body and its important role. It will also have the capacity to engage external service providers. The Parliamentary Budget Officer will also be given significant flexibility to act as he or she sees fit, limited to the office's functions as per the Act and the operational plan.

The PBO may inform himself or 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. The PBO will be provided with a legislated right to request and access information in relation to the office's functions, with proper limitations and processes in place. In order for the PBO to be established in a timely manner and for the office to carry out its functions it will be very well resourced, with an annual budget secured for the first fixed term of nine years. The office will be led by an experienced and respected public sector officer or private sector executive with relevant qualifications and expertise.

Remuneration of the Parliamentary Budget Officer will be determined under the Statutory and Other Officers Remuneration Act 1975. It is envisaged that the office will require approximately 12 to 16 qualified and experienced economists, accountants and financial analysts covering the key spending areas and requisite support staff. The office will receive up to \$4 million—recurrent and capital funding combined—in 2010-11 in order to establish the Parliamentary Budget Office, and up to \$3 million recurrent in the years 2011-12 to 2018-19 for the ongoing operational costs of the office. In reference to the PBO's role in the costing of election promises, the bill repeals the Charter of Budget Honesty (Election Promises Costing) Act 2006. But this bill will retain the best elements of the costing process from the former Act. The critical difference is, of course, that the independent PBO will undertake all costings.

The Charter of Budget Honesty (Election Promises Costing) Act 2006 provided a framework for costing election promises in the lead-up to the New South Wales election, but was continually criticised by the Opposition and others due to a perceived, but non-existent, bias by Treasury towards the incumbent government. The bill will

ensure that there is a high-quality and independent election costing process in place that is beyond any criticism concerning impartiality or independence. This process will be managed by a truly independent office and staff. The best elements of the former Act in relation to process have been replicated in this bill.

At the time of the final half-yearly budget review prior to an election, the Secretary of the Treasury is required to publicly identify the amount of money available to meet future spending commitments for the current budget year and the forward estimates—in other words, the financial envelope available to the Government to fund its policies. A parliamentary leader, which includes an Independent member of Parliament, may request the Parliamentary Budget Officer to prepare costings of policies that are announced or proposed for implementation after the next State general election. A parliamentary leader may make an election costing request in relation to a policy publicly announced or proposed by that leader or in relation to a policy of another parliamentary leader. Costing requests are to be made during the period from the day on which the last State budget before the election is presented to Parliament until the State general election. For the State general election due to be held on 26 March 2011, costing requests may be made from 25 January 2011. A costing request may be withdrawn at any time before the costing is provided by the Parliamentary Budget Officer.

The bill represents a significant enhancement to an already effective election costing process, with the PBO in control in the best interests of the residents of New South Wales and ensuring that this process is not open to political attack but instead focuses on good public policy outcomes. Let me enlighten the House as to the national debate surrounding this concept. The concept of an independent PBO was raised at the Australia 2020 Summit and was included in its final report in May 2008. The idea is based on models in operation internationally. At a national level, the Federal Coalition's intention to establish an independent Parliamentary Budget Office was originally announced by the former Leader of the Opposition, the Hon. Malcolm Turnbull, in his budget reply of 2009. The initiative was then announced by the Leader of the Opposition, the Hon. Tony Abbott, in Canberra on 22 June 2010.

On 12 August 2010 the Federal Coalition announced that an elected Coalition government would establish a PBO, similar to the United States Congressional Budget Office. Following heated debate about the costing of election promises during the Federal election campaign and the push by Independent members of Parliament and the Greens for parliamentary reform, the Prime Minister of Australia, the Hon. Julia Gillard, as part of her written agreement with the Greens on 1 September 2010 co-signed with Senator Bob Brown, committed to the establishment of a Parliamentary Budget Office. In section 4.3 (a) of the agreement that the Prime Minister signed with Andrew Wilkie, the newly elected Federal member for Denison, she confirmed her commitment to establish a Parliamentary Budget Office within 12 months of the agreement date, being 2 September 2010. On 4 September 2010 the Federal member for Lyne, Rob Oakeshott, announced that the establishment of an independent PBO was one of the improvements agreed as part of a parliamentary reform document being finalised across the Parliament. Thus this concept enjoys widespread support across all parties and in the wider community.

The Keneally Government is proposing the establishment of the first independent Parliamentary Budget Office in the country, taking the lead and delivering on an issue that the community and voters have a great interest in. It is doing so in an extremely bipartisan fashion and has placed politics aside in ensuring that this new body will be able to play a genuinely important and significant role in the best interests of the people of this State. We would all be disappointed—and the community would be disappointed, given my preceding comments—if the Opposition tried to find a way to play politics with such an important issue. I am sure that everyone inside and outside this place would legitimately condemn those opposite for doing so if they were foolish and selfish enough to go down such a path.

In terms of international experience, the Congressional Budget Office established in the United States in 1975, the Office of Budget Responsibility currently being established in the United Kingdom and the Parliamentary Budget Office established in Canada are the notable examples referred to during debate on this issue during the recent Federal election campaign. In a number of countries the capacity of Parliament and its relevant committees to engage with budget implementation and approval has been significantly enhanced by the establishment of non-partisan, independent budget offices that have the technical capacity to analyse the budget and to help Parliament and parliamentarians to understand what can be complex technical documents and propositions.

PBOs are traditionally more common in developed countries, but they are also increasingly common in developing countries. Budget offices come in different sizes in terms of staffing and operating budgets and may be endowed with different degrees of authority. Even when resources are limited, small Parliamentary Budget Offices can be established with just a few members of staff who may initially work primarily with outside think tanks for additional support. In Canada, for example, the mandate of the Parliamentary Budget Officer is to provide independent analysis to Parliament on the state of the nation's finances, the Government's estimates and trends in the Canadian economy and, upon request from a committee or parliamentarian, to estimate the financial cost of any proposal for matters over which Parliament has jurisdiction.

The PBO is provided with a legislative right of access to data necessary for the performance of the PBO research and analysis mandates. Work undertaken includes economic and fiscal analysis; outlook and risk

assessments, which rely heavily on the use of econometric and statistical models and include broader research on macroeconomic and fiscal policy; analysis of program costs and estimates; assessment of budgetary systems; and the provision of cost estimates on parliamentary proposals. I am proud to introduce the bill, which will lead to the establishment of a genuinely independent office reporting to the Legislature on important economic and financial matters and further enhance transparency and openness in government. I commend the bill to the House.