



The Hon. Dominic Perrottet MP

Treasurer

Ref: P19/2686

Mr Greg Piper MP
Chair
Public Accounts Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000


Dear Mr Piper,

I refer to the Parliamentary Budget Officer (PBO) 2019 Post-Election Report and the Public Accounts Committee (PAC) Report on the PBO Report.

The NSW Government appreciates and has considered both the PBO and PAC Reports. In particular the Government is grateful for the work of the outgoing PBO Mr Stephen Bartos and his team for their work in the lead up to the 2019 State election.

I note the PAC has recommended the Government implement each of the recommendations made by the PBO, with the exception of recommendation 17.

I advise the Government notes recommendation 1 and supports recommendations 2 and 3 of the PAC Report. The Government does not support the extension of time or role of the PBO. This issue was thoroughly debated in Parliament before the 2019 State election, and those amendments were not agreed.

I also advise that the Government either supports or supports in principle the majority of recommendations of the PBO Report.

I attach the Government response to both the PBO and PAC Reports.

Yours sincerely,


The Hon. Dominic Perrottet MP
Treasurer

23/6/20
cc: Clerk of the Legislative Assembly – helen.minnican@parliament.nsw.gov.au
Legislative Assembly Committee Secretariat – pac@parliament.nsw.gov.au

Attached: (Government Response)

Government Response to the Public Accounts Committee Report 2/57 – November 2019

PAC Recommendations	Government Response	
<p>PAC Recommendation 1 –</p> <p>The Committee recommends that the New South Wales Government implements each of the recommendations made by the Parliamentary Budget Officer 2019 Post Election Report, with the exception of Recommendation 17.</p>	<p><i>Noted</i></p>	<p><i>See individual responses to each of the Parliamentary Budget Officer's (PBO) Recommendations below.</i></p>
<p>PAC Recommendation 2 –</p> <p>The Committee recommends that the New South Wales Government reviews in detail the options for addressing confidentiality in the PBO costing process, set out in Table 6 of the PBO Report, with a view to strengthening the safeguards to prevent unauthorised disclosure of costing information to opposing political parties.</p>	<p><i>Supported</i></p>	<p><i>The Government supports appropriate safeguards being put in place to prevent unauthorised disclosure of confidential information. This will include the adoption of appropriate communication measures to ensure all staff are aware of the confidentiality requirements associated with the election costing process, and the consequences of unauthorised disclosure.</i></p>
<p>PAC Recommendation 3 –</p> <p>The Committee recommends that any provision to delegate the functions of the head of a Government agency to a nominee, for the purposes of the Parliamentary Budget Officer Act, be delegated to a senior executive officer of that agency.</p>	<p><i>Supported</i></p>	<p>-</p>
<p>PAC Recommendation 4 –</p> <p>The Committee recommends that section 6(1) of the <i>Parliamentary Budget Officer Act 2010</i> be amended to enable the appointment of a Parliamentary Budget Officer 12 months before each State general election.</p>	<p><i>Not Supported</i></p>	<p><i>In the lead up to the 2019 election, several amendments were debated in Parliament, including those for a permanent or extended PBO appointment. These were not agreed at that time.</i></p> <p><i>The Government considers that the benefits of extending the PBO's term of appointment to provide costings for all Members of Parliament are outweighed by the significant additional costs and diversion of agency resources that would be required.</i></p>
<p>PAC Recommendation 5 –</p> <p>The Committee further recommends that for the initial six month period after the establishment of the Parliamentary Budget Office, election policy costings be provided for all Members of the New South Wales Parliament and that for the six-month period immediately prior to the election, such costings be provided only to the Parliamentary leaders of the Government and Opposition.</p>	<p><i>Not Supported</i></p>	<p><i>This Recommendation is contingent on PAC Recommendation 4, which the Government does not support (see above).</i></p>

PBO Recommendations	Government Response	
<p>Recommendation 3 – Agency PBO Liaison and Coordination Executive</p> <p>Each agency should appoint an executive level staff member to be responsible for liaison with the PBO during the costings period. This officer should be present at initial meetings between the PBO and agency head, be responsible for coordination of the agency’s responses to requests for information to assist with costings and be at a senior enough level to be able to resolve problems which might arise with delays, lack of information, need for clarification of policy and similar matters.</p>	<p><i>Supported</i></p>	<p>-</p>
<p>Recommendation 4 – PBO to provide updates on prioritisation of information requests</p> <p>The future PBO should provide agencies with advice on prioritisation of information requests. The process could be as follows:</p> <ol style="list-style-type: none"> 1. At the start of each week the PBO provides a list of the information requests outstanding, when they were notified, and those that are a priority. 2. The relevant agency could respond on the same day with an indicative timeline for when the priority information requests are expected to be completed. 	<p><i>Supported</i></p>	<p><i>These are matters for future PBOs to consider in the development of their operational plans, as well as address in deliberations with parliamentary leaders and government departments in the lead-up to the next election.</i></p>
<p>Recommendation 5 - PBO Operational Plan</p> <p>The PBO Operational Plan should specify costings are final once published in the Budget Impact Statement.</p>	<p><i>Supported</i></p>	<p><i>This is a matter for future PBOs to consider in the development of their operational plans, as well as address in deliberations with parliamentary leaders and government departments in the lead-up to the next election. However there must be flexibility to correct any errors that arise in the costing process.</i></p>
<p>Recommendation 6 - Statement of Uncommitted Funds</p> <p>The <i>PBO Act</i> be amended to require the PBO, in consultation with NSW Treasury and Government agencies, to publish an information paper on uncommitted funds in December 2022. An updated paper would be published as soon as practicable after the commencement of the caretaker period.</p>	<p><i>Not Supported</i></p>	<p><i>The Government considers all funds that are included in the budget to be committed to the specified purpose.</i></p> <p><i>As outlined in the PBO Report, the previous process for the Statement of Uncommitted Funds was time consuming, resource intensive and created confusion, largely regarding definitional issues regarding the terminology of ‘uncommitted’ as compared to ‘unallocated’, or ‘not yet announced’.</i></p>

PBO Recommendations	Government Response	
<p>Recommendation 7 – Confidentiality</p> <p>Confidentiality around PBO requests to agencies for information to assist in costings be strengthened in the following ways:</p> <ol style="list-style-type: none"> 1. The <i>PBO Act</i> be amended to increase penalties for unauthorised disclosure of information, or <p>A better enforcement mechanism for breaches of confidentiality be added to the <i>PBO Act</i>.</p> <ol style="list-style-type: none"> 2. Agencies should apply the same principles of confidentiality to PBO information requests as given to Cabinet documents. 3. The next PBO provide an increased level of briefings to agencies on the importance of confidentiality. 	<p><i>Not Supported</i></p> <p><i>Supported in Principle</i></p> <p><i>Supported in Principle</i></p>	<p><i>The PBO Act already provides for an appropriate maximum penalty of 50 penalty units (\$5,500) for unauthorised disclosure of information.</i></p> <p><i>The Government supports measures to promote compliance with existing provisions, including through communications, increased level of briefings, training and other initiatives to raise awareness of existing offence provisions and the importance of maintaining strict confidentiality.</i></p> <p><i>These are matters for future PBOs to consider in the development of their operational plans, as well as address in deliberations with parliamentary leaders and government departments in the lead-up to the next election.</i></p>
<p>Recommendation 8 – Draft list of election policies for the Budget Impact Statement</p> <p>The <i>PBO Act</i> be amended to require parliamentary leaders to provide the PBO with a list of election policies for inclusion in the draft BIS at least 18 days prior to the election.</p>	<p><i>Supported in Principle</i></p>	<p><i>This is a matter for future PBOs to consider in the development of their operational plans, as well as address in deliberations with parliamentary leaders and government departments in the lead-up to the next election.</i></p>
<p>Recommendation 9 – PBO Operational Plan – Final Election Policies</p> <p>The next PBO Operational Plan should require the final list of election policies be provided by parliamentary leaders to the PBO at least three days prior to the publication of the BIS, with no amendments to those policies to be accepted by the PBO for the purposes of publishing the BIS following that date.</p>	<p><i>Supported</i></p>	<p><i>These are matters for future PBOs to consider in the development of their operational plans, as well as address in deliberations with parliamentary leaders and government departments in the lead-up to the next election.</i></p>
<p>Recommendation 10 – Public Release of Election Costings when referred to publicly</p> <p>An additional Section 22(4) be added to the <i>PBO Act</i> that allows the Parliamentary Budget Officer to release an election policy costing request and election policy costing, or part thereof, if:</p>	<p><i>Supported in Principle</i></p>	<p><i>The Government supports measures to ensure transparency and integrity of publicly disclosed costings.</i></p> <p><i>However, these are matters for future PBOs to consider in the development of their operational plans, as well as address in deliberations with parliamentary leaders and government departments in the lead-up to the next election.</i></p>

PBO Recommendations	Government Response	
<p>1. it has been referred to publicly, and</p> <p>2. the Parliamentary Budget Officer considers the public is misinformed.</p> <p>The Parliamentary Budget Officer must consult with the relevant leader before deciding whether to release the costing or a part of it.</p>		
<p>Recommendation 11 – Parliamentary leaders must request a PBO costing for any election policies publicly announced by the party</p> <p>An additional section 18(7) should be added to the <i>PBO Act</i> that provides:</p> <p><i>“The Parliamentary Budget Officer may, under this Part, ask a parliamentary leader to make an election costing request for a policy that has been publicly announced by the party.”</i></p>	<p><i>Supported in Principle</i></p>	<p><i>This is a matter for future PBOs to consider in the development of their operational plans, as well as address in deliberations with parliamentary leaders and government departments in the lead-up to the next election.</i></p>
<p>Recommendation 12 – PBO ten-year costing timeframe</p> <p>The next PBO should use a ten year costing timeframe for policies with long lead times, large capital spends or significant revenues or expenses occurring beyond the forward estimates. The BIS should include a separate section that reports on the individual and aggregate impacts over ten years of policies that have significant effects beyond the forward estimates.</p>	<p><i>Supported</i></p>	<p><i>It is noted that this approach was recommended by NSW Treasury in review of the PBO Draft 2019 Operational Plan. This is, however, a matter for future PBOs.</i></p>
<p>Recommendation 13 - NSW Treasury Accounting Policies on Asset Sales</p> <p>NSW Treasury publish accounting policies in relation to key budget items; in particular, develop and publish a policy on treatment of asset sales in the budget.</p>	<p><i>Supported</i></p>	<p><i>The Statement of Accounting Policies within the 2019-20 Budget Papers has already been amended to clarify the treatment of major asset transactions relates to discontinuing whole operations or major restructuring transactions.</i></p>
<p>Recommendation 14 – HYR and PEBU Measures Statement</p> <p>The Half-Yearly Review and PEBU should provide a list of any significant changes in transactions between the GGS and the PNFC/PFC sectors, showing the impacts on financial indicators for the sectors (revenue, expenses, capital expenditure, and net lending/borrowing).</p>	<p><i>Supported in Principle</i></p>	<p><i>Under section 4.3 of the Government Sector Finance Act 2018, which was approved by Parliament, the Government is required to include in the Budget Papers a statement of the expenditure, savings and revenue measures that may have a material impact on the forward estimates for the General Government Sector.</i></p> <p><i>Consistent with the GSF Act, the main focus of the Budget Papers is the General Government Sector. The Budget Papers do not provide detail on specific measures within the PNFC/PFC Sector entities and therefore a list of significant changes within those sectors is not required in budget documents. This</i></p>

PBO Recommendations	Government Response	
		<i>information may, however, be sought by future PBOs via a direct information request to those entities.</i>
<p>Recommendation 15 – Final list of election policies for the Budget Impact Statement</p> <p>The PBO recommends that section 23 of the <i>PBO Act</i> be amended to require that:</p> <ul style="list-style-type: none"> i. Parliamentary leaders notify the PBO of their final list of policies for inclusion in the Budget Impact Statement on the eleventh last day before the election. ii. The PBO publish the Budget Impact Statements on the eighth last day prior to the election. 	<i>Supported in Principle</i>	<i>These are matters for future PBOs to consider in the development of their operational plans, as well as address in deliberations with parliamentary leaders and government departments in the lead-up to the next election.</i>
<p>Recommendation 16</p> <p>A Chief Accountant be employed in the future PBO.</p>	<i>Supported</i>	<i>This is a matter for the Presiding Officers and future PBOs.</i>
<p>Recommendation 17</p> <p>The PAC consider whether the NSW Parliamentary Budget Office should be permanent.</p>	<i>Not Supported</i>	<i>It is noted that this option was not supported by the PAC.</i>