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SPEAKER

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A.C.T. LEGISLATIVE ASSEMBLY COMMITTEE OFFICE
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Dear Mr Rattenbury

Inquiry into the merit of appointing a Parliamentary Budget Officer for the Legislative Assembly

The ACT Greens welcome this inquiry into the merits of a Parliamentary Budget Officer for the Legislative Assembly. We believe a Parliamentary Budget Officer will enhance the accountability of Government Budget forecasting and planning to meet strategic objectives, as well scrutiny of Government expenditure. We appreciate the opportunity to explore, through this inquiry, the proposal in more detail.

We support the ACT Legislative Assembly appointing a Parliamentary Budget Officer to assist with providing independent advice on the fiscal environment in which ACT Budget is prepared, as well as on specific major expenditure items, in order to assist the ACT move towards meeting our shared objective of creating a sustainable Territory.

The Labor-Greens Parliamentary Agreement contains a broad commitment to Parliamentary Reform [para 4] and Government accountability through the Latimer House principles. The Agreement also specifically refers to accountability around Budget processes by proposing consideration of a Parliamentary Budget Officer:

> *"to strengthen the capacity of the Assembly to better hold government to account by increasing transparency in its fiscal planning framework and improving scrutiny of the Estimates process."* [Appendix One: Clause 2.12]

The Legislative Assembly on 11 December 2008 endorsed the Latimer Principles. These principles include the importance of maintaining "high standards of accountability, transparency and responsibility in the conduct of all public business" [Clause V11 (a)]. Another principle is the importance of independent scrutiny bodies and mechanisms to oversee Government performance noting these bodies enhance public confidence in the integrity and acceptability of government's activities [Clause IX (a)].

We welcome measures and mechanisms which enhance the ability of the Assembly to:

- perform its scrutiny role of the ACT Budget;
- increase transparency in the way the ACT Budget is formulated and implemented;
- understand the full effects of financial decision-making – that is, the social and environmental consequences as well as economic impacts; and
- promote efficient allocation of scarce financial resources to deliver strategic goals.

The Parliamentary Budget Officer is worthy of further examination as such a mechanism.

Legislature involvement in the budget cycle
Within the Budget process there are ex-ante and ex-poste budget processes:
- ex-ante (before the Budget) – assessment of the fiscal environment, budget planning and decisions on funding cuts or program allocations; and
- ex-poste (after the Budget) – post performance review which is now traditionally done by Public Accounts Committee, Estimates Committee and the Auditor General.

Traditionally, budget systems and associated processes – such as agency annual report requirements – focused on collecting and reporting on an agency's financial performance within a specified time-frame.

More recently there has been an increased emphasis on sustainability reporting, to take into account – social and environment impacts of economic decisions, as well as long-term impacts, and ways to deliver longer term strategic objectives.

Within our Westminster system of Government, the legislature's involvement in the budget process has also most commonly, being at the ex-poste stage through Select committees on estimates and Public Account Committees, with little involvement in ex-ante budget planning. Despite this there is little scope within the ex-poste processes to make actual changes to the Budget appropriations, with existing functions more providing a scrutiny role. Likewise a decision by those with the 'balance of power' not to support appropriation bills is generally viewed as a vote-of no-confidence in the Government of the day.

Merits of a Parliamentary Budget Officer

> *"The Budget is the single most important policy document of governments, where policy objectives are reconciled and implemented in concrete terms".*
> *(OECD Best Practices for Budget Transparency 2002)*

Maintaining transparency, trust and confidence within our political systems and institutions is a major issue within modern democracies. Development of the Territory's Budget is at the core of our government and oversight of the Budget is one of the most important functions of the Legislative Assembly. As such the Budget should receive the highest level of scrutiny by the Assembly.

It is important to note that the ACT Greens recognise the importance of stable government and have agreed through the Parliamentary Agreement they will support the Government's appropriation Bills for the ordinary annual services of the Government [para 2 (i)]. Yet, nonetheless the Green MLAs have a fiduciary obligation to ensure that the ACT Budget is appropriately balanced and delivers strategic short and long-term strategic outcomes.

We see the role of the Parliamentary Budget Office will provide all MLAs and particularly cross-bench and Opposition MLAs with a mechanism to obtain appropriate independent advice on both the broad fiscal environment and specific budget matters in order to assist informed support and authorisation of the ACT Budget.

The ACT Greens' support for a Parliamentary Budget Officer recognises that the budgetary processes undertaken by the Executive and the Treasury in developing fiscal policy for the ACT are increasingly complex. It also recognises that MLAs might not necessarily have the expertise or the resources to delve into the minutiae of budget matters to the extent required to provide the high level of scrutiny expected by the public.

The ACT Greens recognise that the ACT already has some very good scrutiny and public engagement mechanisms factored into the Budget process including: community involvement in pre-budget consultations, Auditor-General reviews of Government appropriations, the Public Accounts Committee and the Annual Select Committee on Estimates. However the ACT Greens believe there is scope for more Budget scrutiny and community engagement and particularly note the statement by the Canadian Parliamentary Budget Officer that he sees his office's role as "raising the quality of dialogue both inside parliament and between parliament and the government to help achieve better public policy".

In addition, we suggest there should be further development of decision-making processes that enhance greater consideration of, and input to, allocations to the programs and activities needed in order to achieve the Territory's short and long-term strategic goals, prior to the presentation of the annual Budget.

The ACT Greens believe the merits of an ACT Parliamentary Budget Officer would be:

- delivering an appropriate response to public demand for transparency and accountability and scrutiny of government expenditure and taxpayer contributions;
- addressing the responsibility of all MLAs to make informed decisions around Government appropriations and legislation. This has particular relevance in the current situation of a minority Government and the cross-bench responsibility of those with the 'balance of power';
- providing some scope for independent analysis or input to budget proposals before the Government commits to particular programs [ex-ante] as compared to simply ensuring the expenditure is duly justified, authorised and expended [ex-poste];
- assisting with decision-making about the best way, using sustainability principles (sustainability assessment), of achieving agreed strategic outcomes; and
- improving, or adding to, the post-expenditure functions [ex-poste] undertaken by the Auditor-General and the Public Affairs Committee; through provision of additional and authoritative independent advice on financial and economic matters.

The Parliamentary Budget Officer would therefore assist the Legislative Assembly in making decisions about Government appropriations and, over time, would also assist in the development of a clearer and more user-friendly budget and budget processes for the general public.

Budgetary Best Practice
A core requirement of any Parliamentary Budget Office must be that its role is non-partisan and independent. Factors to facilitate this will be adequate resourcing, defining the role and functions in appropriate legislation, developing of clear operating guidelines, access to Government data, as well as transparency and consistency in the methodologies used by the Parliamentary Budget Officer.

Additional factors to consider are the need to:
- streamline Government accountability and reporting;
- enhance consistency of performance measures and accountability indicators;
- create greater alignment and linkages between agency annual reporting and Budget processes;
- ensure no duplication of existing functions, with particular regard to the Auditor-General, Public Accounts Committee and Select Committee on Estimates; and
- evaluate programs and policy for outcomes prior to ongoing commitments to future expenditure.

The Territory's strategic goals are set in such documents as *People Place Prosperity*, *The Canberra Plan*, and its associated documents. These plans and policy themselves are developed through extensive consultation and are built on a broad consensus of the future direction of the ACT. However it is not always clear that subsequent Government programs and budget initiatives deliver these broad Territory's strategic goals or even if they have been framed with the goals in mind, or alternatively do not adequately report against these longer-term strategic priorities.

Development of programs and policy to deliver agreed strategic directions of documents such as *The Canberra Plan*, falls more broadly into the ex-ante category. Developing such a role of independent advice in this regard could well enhance delivery of the ACT strategic objectives but would need to be done in such a way as to ensure it does not result in creating an easy avenue for political point scoring.

The Budget and Sustainability

> *"The Budget is the major annual policy statement of the Government, which reflects its resource allocation priorities in addressing emerging demands and achieving policy objectives. It is therefore important that Budget Papers reflect sustainability principles, facilitate an understanding of the resource allocation decisions and the underlying objectives, and provide a framework of measures and targets against which progress could be measured both on an annual basis and on the longer time horizon."*

Budget 2004-05 Supplementary Paper –
Framework for Future Budget Presentation Discussion Paper May 2004
http://www.treasury.act.gov.au/budget/budget_2004/_srcfiles/supp/supplementary.pdf

The 2004 Supplementary Budget Paper provided an analysis of ways of including sustainability performance measures into the ACT Budget processes while noting the complexities of doing so. Not withstanding the introduction of new Strategic Indicators and Accountability Indicators in the 2005-06 Budget, since that time work on progressing both shorter term and longer-term sustainability reporting against clear sustainability performance indicators in the ACT Budget has faltered.

We note that responsibility for developing such a sustainability reporting framework for the ACT again seems to be caught up in administrative limbo land. For instance, Treasury never completed the much awaited Triple Bottom Line assessment or reporting framework, with this project now transferred to Chief Minister's Department. The lack of progress in introducing sustainability legislation promised in 2004. The Department of Territory and Municipal Services (TAMS) and its successors failing to deliver the Sustainability Framework promised in the TAMS 2008 Annual Report. Instead the new Department of the Environment, Climate Change, Energy and Water (DECCEW) claiming in answers to questions in Estimates this year that these matters were caught in the Administrative Arrangements Orders between the Chief Minister's Department and DECCEW.

Recognising the complexities and challenges of this work, and that the Government has not progressed this matter or resolved where such work should be done, we suggest that an initial role of the Parliamentary Budget Officer should be to provide the Legislative Assembly with independent advice on how best to incorporate sustainability performance measures into the ACT budget papers, including consideration of a whole-of-government Sustainability Budget paper with explicit longer-term sustainability performance measures across whole-of Government strategic policy objectives as well as covering ACT Government operations.

Proposed functions of a Parliamentary Budget Officer
We propose some expected ex-ante functions of a Parliamentary Budget Officer could be to provide the Legislative Assembly with **independent analysis** of:

- the broader fiscal policy and state of the economy which form the basis for Budget planning;
- estimates of costs for 'major' proposals developed by parties to the Legislative Assembly arising from recommendations from Committee deliberations or by Legislative Assembly direction;
- Triple Bottom Line (or sustainability) analysis for 'major' proposals to the Legislative Assembly developed by parties;
- election campaign commitment costings; and
- sustainability and cost implications of community group budget proposals prior to the budget processes.

In order to strengthen existing Budget oversight arrangements we suggest additional ex-poste functions should be undertaken by the Parliamentary Budget Officer. This would include providing the Legislative Assembly with independent analysis of:

- expenditure estimates of any government department or agency, upon request of a Parliamentary Committee;
- strengthening the role of the Public Accounts Committee (PAC) by preparing an annual report on implementation of PAC recommendations, as well as those of the Select Committee on Estimates; and
- Triple Bottom Line (or sustainability) reporting analysis of outcomes of major Government expenditure items as requested from time to time by the Legislative Assembly, the Public Accounts Committee or other Committees of the Assembly.

An additional function would be to provide ongoing advice to the Legislative Assembly on best practice in accountability and performance measures within the ACT Government Budget and Annual Reporting arrangements.

In undertaking any of these functions, the intent would not be to duplicate the work of Treasury in preparing costings of proposals but rather to provide independent analytical assessment of such costings, particularly with a focus on including sustainability criteria rather than a simple cost-benefit analysis.

Administrative matters
In considering the merits of a Parliamentary Budget Officer we note that a number of administrative matters will need to be addressed, including:

- the need for clear terms of references, processes, protocols and guidelines to manage and contain the workload of the Parliamentary Budget Officer;
- reporting arrangements of the Parliamentary Budget Officer, whether through the Speaker, to the Public Accounts Committee or directly to the Legislative Assembly;
- resourcing implications;
- whether the role is administratively based or the subject to specific legislation;
- method of appointment of a Parliamentary Budget Officer;
- access to data and information from Treasury in particular, but also other ACT Government agencies; and
- timing of the recruitment of any Parliamentary Budget Officer to allow the role to commence prior to the 2010-11 budget processes.

Recommendations
We make the following recommendations to the Inquiry that:

1. it support appointment of an ACT Parliamentary Budget Officer;
2. the role of a Parliamentary Budget Officer be created as a legislated role;
3. it complete its deliberations in a timely manner in order to assist [if appropriate] appointment of a Parliamentary Budget Officer prior to the 2010-2011 ACT Budget;
4. use the Canadian Parliamentary Budget Officer as a guide for the role in the ACT;
5. that sustainability or Triple Bottom-line analysis is a core function of the Parliamentary Budget Officer in addition to tradition cost-benefit analysis;
6. an initial role be given to the Parliamentary Budget Officer to review and make recommendations on sustainability performance reporting measures within the ACT Budget, including climate impact assessment of the Budget.

We would be pleased to discuss these matters in greater detail during the progress of the inquiry deliberations.

Yours sincerely

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6 July 2009