

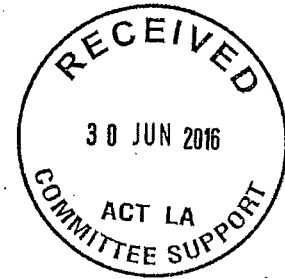



**SIMON CORBELL** MLA  
**DEPUTY CHIEF MINISTER**

Attorney-General  
Minister for Health  
Minister for the Environment and Climate Change  
Minister for Capital Metro  
Minister for Police and Emergency Services

Member for Molonglo

Mr A Snedden  
Secretary  
Select Committee on the Legislative Assembly  
(Parliamentary Budget Officer) Bill 2016  
ACT Legislative Assembly  
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Canberra ACT 2601



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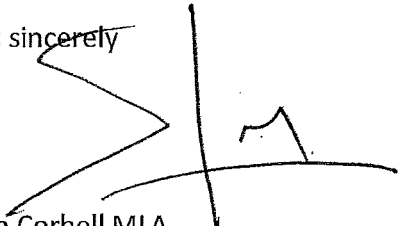
Dear Mr Snedden

**Inquiry into the Legislative Assembly (Parliamentary Budget Officer) Bill 2016**

Thank you for the opportunity to provide a submission to the above Inquiry. The Government's views are attached.

I look forward to the outcomes of the Committee's deliberations.

Yours sincerely

  
Simon Corbell MLA  
Acting Treasurer

30.6.10

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# **ACT Government Submission to the Inquiry into the Legislative Assembly (Parliamentary Budget Officer) Bill 2016**

The ACT Government is pleased to have the opportunity to provide a submission to the Select Committee of the Legislative Assembly appointed to conduct the above inquiry.

The Government understands that the Bill would establish a Parliamentary Budget Office (PBO) to provide Legislative Assembly members and Committees with the following services:

- preparing, outside pre-election periods, policy costings for MLAs;
- during pre-election periods, preparing policy costings for political parties or independent MLAs;
- preparing advice for MLAs on budget papers;
- preparing submissions to Assembly committee inquiries, on request of the committee; and
- initiating research into the budget papers and fiscal policy settings.

The Government is sympathetic with the objectives of the Bill. However, the Government is of the view that the ACT Legislative Assembly is too small to sustain a PBO of the size that would be needed to perform the functions set out in the Bill. Importantly, there are a number of constraints which would render the PBO, as proposed, an impractical solution to the problem.

## **Background**

### ***Current provisions***

#### **Policy costings**

Under the *Election Commitments Costing Act 2012* (ECC Act), Treasury can be requested by political parties or MLAs to provide a costing of a policy proposal during an election period. The proposal must be publicly announced as an election commitment and Treasury must make its costing public. This service was used extensively in the lead up to the 2012 election.

The Government acknowledges that the proposed legislation would provide a more extensive policy costings service, with the PBO conducting costings outside of election periods and also in confidence.

### **Budget analysis**

A consultant review of the Budget is conducted each year to assist the Assembly's scrutiny of the Budget. This practice follows the adoption of a recommendation from the 2009 Standing Committee on Administration and Procedure inquiry into "The Merit of Appointing a Parliamentary Budget Officer". That inquiry looked at whether a PBO could "strengthen the capacity of the Assembly to hold government to account by increasing transparency of its fiscal planning framework and improve scrutiny of the estimates process". It didn't address the possible function of providing policy costings.

The Government acknowledges that the proposed PBO would provide a greater service in being able to respond to MLAs' queries on budget papers, but would not in itself increase transparency and would significantly duplicate the estimates process.

### ***Other jurisdictions***

The ACT is not out of step with the other jurisdictions in Australia, particularly the other small jurisdictions. Only the Commonwealth has a PBO of the nature of that proposed in this Bill. NSW has a non-permanent PBO, which operates only during election periods. As at 22 June, Victoria had a Bill before its parliament to establish a PBO that would also be a permanent facility.

A summary of the provisions in all jurisdictions is provided at the attachment.

The case of the NSW PBO is of particular note. The NSW Office began as a permanent full time facility with three main functions, namely:

- policy costings during election periods;
- policy costings outside of election periods; and
- budgetary and fiscal analysis.

After two years of operation, its role was narrowed to concentrate on policy costings only and its period of activity changed to election periods only. The changes were in response to a parliamentary inquiry<sup>1</sup>, which considered, among other things, whether the other roles of the PBO were being undertaken by other parts of government or the parliament. The inquiry found that the role of budgetary analysis, in particular, was duplicated by several avenues, not least the Budget Estimates process. The report also highlighted the role of Auditor General and the Public Accounts Committee in providing scrutiny of public spending and the research staff that members of parliament had available to conduct their own budget analysis. The same avenues of budget scrutiny exist in the ACT system.

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<sup>1</sup>Parliament of New South Wales Joint Select Committee on the Parliamentary Budget Office, Report 1/55, Dec 2011

The NSW inquiry concluded that the benefits of a permanent PBO did not outweigh the cost and it recommended the non permanent facility that is currently in operation, focussed on the core function of providing policy costings.

### **Workload and expertise**

The Bill makes no reference to the size of the PBO. Overall, the size of a PBO in the ACT would need to be

- proportional to the size of the Legislative Assembly;
- sufficient to manage the workload; and
- sufficient to achieve the necessary expertise.

The Government considers that in a jurisdiction the size of the ACT, it would not be possible to have a PBO of sufficient size to manage the workload of policy costings, in particular, and to achieve the necessary expertise, while remaining proportional to the size of the ACT Assembly.

### ***Proportionality***

The Commonwealth Parliamentary Budget Office has a staffing level of around 45<sup>2</sup>, or approximately 1 staff member for every 5 members. The NSW PBO had a peak staff complement of 16 for the last NSW election (March 2015)<sup>3</sup>. This represented a similar ratio of staff to parliamentary members (just under 1:6). If we use the 1:5 ratio as a guide, it would yield a permanent PBO of around 5 staff in the ACT. This size of office might be able to manage the workload of requests in non-election periods, but could not do so during costing periods. It may also have difficulty attracting sufficient expertise across the range of issues faced by the ACT.

### ***Achieving expertise***

Conducting policy costings and undertaking budget analysis requires an understanding of the subject matter. The Finance and Budget Division in the ACT Treasury stream of the Chief Minister, Treasury and Economic Development Directorate, has a staff complement of around 40, while the Commonwealth PBO, as above, is around 45. These size teams enable the development of expertise in sectoral areas such that the staff can undertake costings and budget analysis intelligently and efficiently. Indeed, the Finance and Budget Division is structured on the principle of expertise by being organised into areas matching the sectoral organisation of the ACT Public Service.

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<sup>2</sup> Portfolio Budget Statements 2016–17, Parliamentary Budget Office

<sup>3</sup> Parliamentary Budget Office, 2015 Post-Election Report, [www.parliament.nsw.gov.au](http://www.parliament.nsw.gov.au)

The ACT Legislative Assembly will have just 25 members after the 2016 election. While the Assembly might be small, the sectors in which government is involved are large in number and diverse. There are 28 Ministerial portfolios in the current government, with some of these portfolios covering multiple areas of responsibility (eg, "Housing, Community Services and Social Inclusion"). A PBO would need to be knowledgeable in all these areas. This would be very difficult to achieve with a permanent staff number that would have to remain proportional to the number of MLAs.

### ***Managing the workload***

Managing the peak workload of the election periods would be a particular problem. The experience of the 2012 election was that the Finance and Budget Division of Treasury was almost fully occupied on policy costings during the caretaker period. The Division was able to perform this role as it had the established expertise in the breadth of sectoral issues involved in the costings. The PBO would need to be able to gear up staff numbers and expertise to a similar level every four years. It would be difficult to attract appropriately qualified staff for short term work. Further, any investment that the PBO would make in these staff would also be most likely lost as the gap of four years between elections would mean it unlikely that any of these staff would be available for multiple election costing periods. A non-permanent PBO would face the same gearing up issues.

### **Alternatives**

The Government would be happy to work with the Assembly on alternative, more practical options that meet the core objectives.

## Attachment

### Parliamentary Budget Offices

Jurisdiction	Yes/No	Notes	Pre election budget update issued
Commonwealth	Yes	Provides costings for political parties both during and outside caretaker periods. Also conducts research and analysis of budget and fiscal settings.	Yes
NSW	Yes	Provides costings of election policies only in the lead-up to NSW general elections. The next NSW election is scheduled to occur in 2019, and the Parliamentary Budget Office is expected to remain inactive until September 2018.	Yes
Victoria	Proposed	Bill currently before the Parliament to establish an Office.	Yes
Queensland	No	No information found about process for costing of political party commitments.	No information found
WA	No	Under Treasurer provides formal election commitment costing service to the political parties during the caretaker period.	Yes
SA	No	Under Charter of Budget Honesty Act Secretaries to Treasury and Department of Finance may be requested to cost election commitments during the caretaker period.	Yes
Tasmania	No	Under Charter of Budget Responsibility Act, Dept of Treasury & Finance can be requested to provide election costings for political parties.	Yes
NT	No	No information found about process for costing of political party commitments.	Yes
ACT	No	Election Commitment Costings Act 2012 enables Under Treasurer to cost party election commitments before and after polling day.	Yes