



LEGISLATIVE ASSEMBLY OF NEW SOUTH WALES

## PUBLIC ACCOUNTS COMMITTEE

REPORT 1/56 — OCTOBER 2015

### REPORT ON THE PARLIAMENTARY BUDGET OFFICE 2015 POST-ELECTION REPORT

REPORTS  
COMMITTEES

5

LEGISLATIVE  
ASSEMBLY

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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

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## Chair's Foreword

New South Wales was the first Australian jurisdiction to appoint a Parliamentary Budget Officer (PBO), introduced prior to the 2011 NSW general election. The PBO provides independent costings and advice on election policies in response to requests by the Parliamentary leaders.

The PBO has now become an integral aspect of NSW elections, increasing transparency and accountability by providing an additional assurance to voters. The PBO is also of considerable assistance to the major parties and works closely with key NSW Government agencies to provide accurate and timely advice and costings.

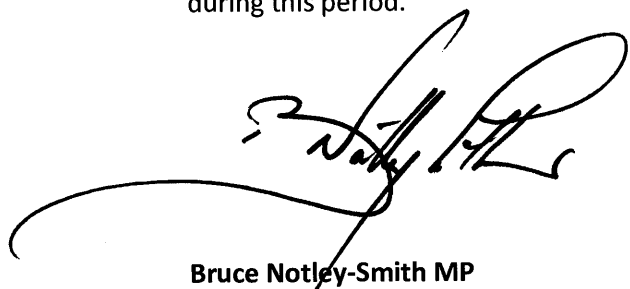
Mr Stephen Bartos was appointed as the PBO for the period 22 September 2014 to 26 June 2015, in order to provide costings for the 2015 election.

A recommendation made in the 2011 PBO post-election report resulted in an amendment to section 15 of the *Parliamentary Budget Officer Act 2010*. The new provision requires the PBO to report to the NSW Parliament Public Accounts Committee (PAC) as soon as practicable after a State general election. This ensures accountability of the PBO to Parliament, and provides a means for the PBO to report on its operational arrangements and activities in relation to its interactions with the major parties.

As this is the first time the PAC has examined the operations of the PBO, the committee determined that it would table the PBO Report and make it more generally available. The committee further resolved to prepare its own report on the operation of the PBO and the recommendations contained in the post-election report.

This subsequent Report of the Committee endorses the Parliamentary Budget Office 2015 Post-election Report and seeks a formal response to its recommendations, findings and observations by the NSW Government.

The Committee notes that the PBO Report was well received by key NSW Government agencies and the major parties and thanks Mr Bartos and his staff for their excellent work during this period.



**Bruce Notley-Smith MP**  
Chair

# List of Findings and Recommendations

**RECOMMENDATION 1** \_\_\_\_\_ **8**

The Committee recommends that the NSW Government implements each of the recommendations made by the Parliamentary Budget Office 2015 Post-election Report.

**RECOMMENDATION 2** \_\_\_\_\_ **8**

The Committee recommends that the NSW Government considers the findings and observations made by the Parliamentary Budget Office 2015 Post-election Report, with a view to consulting relevant agencies in the development of policies to increase the capacity of the Parliamentary Budget Office to undertake its role.

# Glossary

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DPC	Department of Premier and Cabinet
PAC	Public Accounts Committee
PBO	Parliamentary Budget Office <u>or</u> Parliamentary Budget Officer
TfNSW	Transport for NSW

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# Chapter One – Background

## Appointment of the Parliamentary Budget Officer

- 1.1 NSW was the first Australian jurisdiction to introduce a Parliamentary Budget Officer (PBO), with the first PBO appointment being made prior to the 2011 NSW General Election. Since then, the NSW Parliament passed the *Parliamentary Budget Officer Amendment Act 2013*, which made changes to the length of tenure of the PBO and its operational charter.<sup>1</sup>
- 1.2 Under the *Parliamentary Budget Officer Act 2010* (the PBO Act), the Presiding Officers of the NSW Parliament are required to appoint a PBO for each State general election.<sup>2</sup> The appointment of the position is to take effect as soon as practicable after 1 September, immediately before a general election is due to be held and for a period of around nine months.
- 1.3 Most recently, Mr Stephen Bartos was appointed as the PBO for the period 22 September 2014 to 26 June 2015, and served for the duration of the 2015 NSW General Election.

## Role and responsibilities of the Parliamentary Budget Officer

- 1.4 The Parliamentary Budget Officer provides costings of election policies in response to requests by Parliamentary leaders, together with budget impact statements for all costed policies. The PBO is supported by a small team of professionals, including Parliamentary staff and, where necessary, consultants.
- 1.5 The PBO is accountable to Parliament, and not to the Executive Government, to serve in an apolitical role, requiring adherence to the strictest levels of impartiality, confidentiality and sensitivity.<sup>3</sup>

## Role and responsibilities of the Public Accounts Committee

- 1.6 The PBO is accountable to the NSW Parliament through the Public Accounts Committee (PAC). Section 15 of the PBO Act provides that PAC may monitor and review the operations of the PBO and report to Parliament on any matter relating to that Officer.
- 1.7 It also requires the PBO to report to the PAC as soon as practicable after the State general election. The report may include recommendations on operational arrangements and activities of the PBO in respect of future general elections.<sup>4</sup>

## Post-election Report

- 1.8 The PBO provided the Parliamentary Budget Office 2015 Post-election Report (the Report) to the PAC on 11 June 2015. At a PAC deliberative meeting, on 24

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<sup>1</sup> *Parliamentary Budget Officer Amendment Act 2013*.

<sup>2</sup> *Parliamentary Budget Officer Act 2010*, section 6.

<sup>3</sup> *Parliamentary Budget Officer Act 2010*.

<sup>4</sup> *Parliamentary Budget Officer Act 2010*, section 15.

## PUBLIC ACCOUNTS COMMITTEE

### BACKGROUND

June 2015, the PBO outlined the work of the Parliamentary Budget Office and discussed issues raised in the Report. At this meeting, the Committee resolved to table the Report in the Legislative Assembly.<sup>5</sup>

- 1.9 As part of its consideration of the report, the Committee wrote to the Premier, the Leader of the Opposition and key NSW Government agencies to seek further comments and responses to the PBO recommendations.<sup>6</sup>

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<sup>5</sup> Minutes of Meeting No. 2, 24 June 2015.

<sup>6</sup> Minutes of Meeting No. 2, 24 June 2015.

## Chapter Two – Stakeholder Comments

### Request for Comments and Advice

2.1 The Committee wrote to the following stakeholders to seek comment:

- The Premier
- The Leader of the Opposition
- Department of Finance, Services and Innovation
- NSW Ministry of Health
- The Treasury
- Transport for NSW.<sup>7</sup>

2.2 Responses to the Report’s recommendations are set out in [Table 1](#). Responses to the Report’s findings and other observations are set out in [Table 2](#), while [Table 3](#) lists additional findings and recommendations not addressed.

### Responses from Stakeholders to PBO Recommendations

**Table 1 - Responses to Recommendations**

No.	Recommendations	Agency(s)	Position	Response
1	That the <i>Parliamentary Budget Officer Act 2010</i> (the PBO Act) be amended to require NSW Treasury to publish, at the start of the caretaker period, a list of all Government decisions affecting the forward estimates taken since the Half-Yearly review and new totals for budget aggregates; and that the PBO use this as a starting point for budget impact statements.	Treasury	Supported	The Treasury suggests that the PBO Act be amended to require a rigorous pre-election budget update, similar to that used by the Australian Government. This would incorporate all decisions taken by the Government since the Half-Yearly Review.  It should additionally be flexible enough to consider other circumstances that may have an effect on the State’s economic and fiscal outlook, i.e. the impacts of parameter changes on revenue and expenses.
		Opposition, Transport for NSW, Health, Finance	Supported	

<sup>7</sup> Minutes of Meeting No. 2, 24 June 2015.

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No.	Recommendations	Agency(s)	Position	Response
2	That the PBO Act be amended to remove the requirement for a Statement of Uncommitted Funds.	Transport for NSW, Health, Finance, Treasury	Supported	
		Opposition	Neutral	
3	That the PBO Act be amended to allow a Parliamentary leader to withdraw a costed policy at any time prior to it being published by the PBO.	Opposition, Transport for NSW, Health, Finance, Treasury	Supported	
4	That section 23 of the PBO Act be amended to require that Parliamentary leaders notify the PBO of their final list of policies for inclusion in the budget impact statement on the ninth last day before the election.	Opposition, Transport for NSW, Health, Finance, Treasury	Supported	
5	That section 16 of the PBO Act be amended to require that in the six weeks prior to the election, the head of a Government agency responds to requests for information within 6 business days or such other period as is agreed between the head of the agency and the PBO.	Transport for NSW	Supported -in-part	TfNSW informed the committee that most costings could be produced within a six day timeframe. However, more time would be required for more complex matters.  TfNSW suggest that there be a requirement for Agencies to respond within 48 hours if they require additional time or are unable to cost a particular commitment. This would be in place of a shortened response time.
		Opposition, Health, Finance, Treasury	Supported	
6	That section 16 (4) of the PBO Act be amended to ensure that confidentiality provisions apply to the staff of Government agencies, as well as the head of an agency.	Opposition, Transport for NSW, Health, Finance, Treasury	Supported	
7	That the PBO Act be amended to require the PBO to provide a draft operational plan to the Presiding Officers with one month of appointment.	Opposition, Transport for NSW, Health, Finance, Treasury	Supported	

No.	Recommendations	Agency(s)	Position	Response
8	That future PBOs include a deadline in the operational plan and costing guidelines for parties to submit most of their costing requests by an agreed date – preferably one month prior to the draft budget impact statement.	Opposition, Transport for NSW, Health, Finance, Treasury	Supported	
9	That future PBOs provide a running total of the cumulative impact of all costed policies for each respective Parliamentary leader during February and March prior to an election.	Opposition, Transport for NSW, Health, Finance, Treasury	Supported	
10	That future PBOs list, in budget impact statements, all policies that are categorised as ‘reservations’, with an additional total impact calculated for the full effect on fiscal aggregates if the policies were implemented.	Opposition, Transport for NSW, Health, Finance, Treasury	Supported	
11	That future PBOs include in budget impact statements separate tables for savings measures and spending measures.	Opposition, Transport for NSW, Health, Finance, Treasury	Supported	
12	That future PBOs seek agreement from agency heads that where an agency plans to provide a “no response” or a “more information is needed response” to the information request, such a response must be provided within 48 hours of the request being made.	Opposition, Transport for NSW, Health, Finance, Treasury	Supported	
13	That future PBOs provide guidelines to Parliamentary leaders about the circumstances under which the PBO will make public comments about costings that have been publicly misrepresented.	Opposition, Transport for NSW, Health, Finance, Treasury	Supported	

## Responses from Stakeholders to PBO Findings and Observations

- 2.3 The PBO Report also contains a series of suggestions and comments on the effectiveness of current costing processes and administrative issues, without including these as formal recommendations. These findings and observations were provided as a basis for further consultation with affected NSW Government

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STAKEHOLDER COMMENTS

agencies, and may require either policy decisions or administrative changes to aid and improve the capacity of the PBO to undertake its role.

2.4 The Ministry of Health was the only agency which provided detailed responses to a number of these findings and observations, as set out in the following table:

**Table 2 - Responses to Findings and Observations**

Findings and Observations	Agency	Response
Consideration be given to amending the PBO Act, to require the PBO to publish a costing within five working days of the public release of a costed policy (or earlier if notified by the Parliamentary leader concerned).	Health	The Ministry of Health would prefer this be amended to the period immediately following the public announcement of a costing. Health suggests that five days does not reflect the immediacy and expectations of a 24/7 media environment and points to occasions during the 2015 election whereby costings were announced and the Ministry was not yet able to correlate headline numbers or respond to other requests made.
The PBO suggests that the PAC consult further with Government agencies and other stakeholders to consider whether election policy costings should be estimated over the entire 4 year term of Government, rather than the current forward estimates period required in the Act.	Health	The Ministry of Health considers this particularly relevant in situations where a proposed commitment has a staged implementation and the funding announced by a party is for the four year staged implementation but the PBO costing does not include the fourth year.
That the PBO has access to agency models and systems.	Health	The Ministry of Health does not disagree with the need for the PBO to be able to access agency information in order to expeditiously fulfil its functions. However, it suggests that the proposal requires careful consideration given the time limited tenure of the PBO and the likely impact this would have on resourcing at agency level, which is acknowledged by the PBO.
Standard costing information.	Health	The PBO's report discusses distribution of "standard costings" that are provided by agencies to the PBO for the purpose of assisting with costings. While the Ministry provided the PBO with some "standard costings" during the pre-election period following their request, it did so with considerable caution as there are many determinants that impact on costs, particularly around costs of clinical services and staff.  Apart from misrepresenting the real costs, making "standard costings" publicly available could potentially impact on commercial arrangements that the Ministry of Health may wish to pursue with third party health providers in the future, who may use such costings as indicative costs of providing services, when they do not properly represent the cost of the service to be provided.

## Additional Findings and Observations

- 2.5 The PBO made additional findings and observations throughout the Report, which were not commented on by stakeholders. While these are not the subject of specific recommendations, they also warrant further consideration before a policy recommendation is made. Further consultation with affected NSW Government agencies in relation to these issues would improve the capacity of the PBO to undertake its role. The additional findings and observations are as follows:

**Table 3 - Additional Findings and Observations**

<b>Additional Findings and Observations</b>
The PBO notes that the Act could be amended to reduce the number of separate fiscal indicators to be reported against in order to reduce the complexity of the costing process.
The PBO notes the advantages and disadvantages of changing the period over which costings are estimated from 3 years to 4 years.
The PBO considers that the publication of costings that have been publicly announced could be beneficial. This would require an amendment to the PBO Act as, at present, the PBO is only permitted to release a policy after advice from the leader concerned that it has been made public. The PBO notes some difficulties and concerns with the current requirements.
The PBO raises the question as to whether future PBOs should have a role in obtaining and publishing information on government spending and revenue to inform policy choices.
The PBO raises the question as to whether the role of the PBO should be ongoing.
<p>The PBO raises the prohibition of information sharing between the PBO and Department of Premier and Cabinet (DPC), due to the confidentiality requirements of the PBO Act, as an area for review.</p> <p>Policy Implementation Plans, coordinated by DPC, are prepared during the caretaker period for the incoming government. Timely access to relevant information has obvious implications for the quality of advice provided to an incoming government and would be assisted by greater information sharing between the PBO and DPC in relation to requests for and agency responses to costings.</p> <p>An improved mechanism for information sharing, with appropriate provisions to maintain confidentiality and only after the start of the caretaker period, could be given effect either through the PBO Operational Plan or through an amendment to the PBO Act.</p>

## Chapter Three – Committee Conclusions

- 3.1 While there is a requirement for the Parliamentary Budget Officer (PBO) to submit its report to the Public Accounts Committee, there is currently no formal accountability process for the NSW Government to consider or respond to its recommendations.
- 3.2 The Committee is of the view that the recommendations, findings and observations of the PBO warrant consideration by the NSW Government, which should examine how the role and operation of the PBO could be strengthened for future NSW general elections.
- 3.3 The Committee endorses the recommendations of the PBO and calls on the NSW Government to implement these. The Committee also notes the other findings and observations of the PBO, which provide the basis for further consultation with relevant NSW Government agencies. This would result in either policy decisions or administrative changes to aid and improve the capacity of the PBO to undertake its role.

### RECOMMENDATION 1

**The Committee recommends that the NSW Government implements each of the recommendations made by the Parliamentary Budget Office 2015 Post-election Report.**

### RECOMMENDATION 2

**The Committee recommends that the NSW Government considers the findings and observations made by the Parliamentary Budget Office 2015 Post-election Report, with a view to consulting relevant agencies in the development of policies to increase the capacity of the Parliamentary Budget Office to undertake its role.**



# Appendix One – Extracts from Minutes

## **MINUTES OF MEETING No 2**

24 June 2015

9.30am

Room 815-815, Parliament House

### **Members Present**

Mr Bruce Notley-Smith MP (Chair), Mr Stephen Bromhead MP, Mr Lee Evans MP, Mr Greg Piper MP.

### **Apologies**

Mr Mark Taylor MP (Deputy Chair), Mr Michael Daley MP.

### **Officers in Attendance**

Bjarne Nordin, James Newton, Stephanie Kimisi.

### **Other Attendees**

Mr Stephen Bartos ...

#### **1. Briefing by Parliamentary Budget Officer**

Mr Bartos entered the meeting at 9.31am.

Mr Bartos outlined the work of the Parliamentary Budget Office and discussed issues raised in the 2015 Post-election Report. Discussion ensued.

Mr Bartos left the meeting at 9.57am.

2. ...

3. ...

4. ...

#### **5. Other Business**

Resolved, on the motion of Mr Evans, seconded by Mr Bromhead: That the Chair tables the Report of the Parliamentary Budget Office and the Committee reviews the conclusions and recommendations contained in the Report.

Resolved, on the motion of Mr Bromhead, seconded by Mr Piper: That the Chair be authorised to write to relevant agencies, the Premier and the Leader of the Opposition to distribute the Report of the Parliamentary Budget Office and seek comment.

#### **6. Next Meeting**

The Committee adjourned at 10.20am until Thursday, 6 August at 9.30am at Parliament House.

**MINUTES OF MEETING No 3**

6 August 2015

9.32am

Room 1043, Parliament House

**Members Present**

Mr Bruce Notley-Smith (Chair), Mr Stephen Bromhead, Mr Lee Evans, Mr Greg Piper, Mr Michael Daley.

**Apologies**

Mr Mark Taylor (Deputy Chair).

**Officers in Attendance**

Bjarne Nordin, James Newton, Derya Sekmen.

1. ...

**2. Correspondence**

Resolved, on the motion of Mr Piper, seconded Mr Evans: That the Committee notes the following correspondence:

*Received*

- Michael Daley MP, Response to Parliamentary Budget Office 2015 Post-election Report, dated 22 July 2015;
- Mary Foley, Secretary, NSW Health, Response to Parliamentary Budget Office 2015 Post-election Report, dated 23 July 2015;
- Rob Whitfield, Secretary, NSW Treasury, Response to Parliamentary Budget Office 2015 Post-election Report dated 3 August 2015

• ...

*Sent*

- Office of Finance and Services, NSW Ministry of Health, Transport for NSW, The Treasury, Leader of the Opposition and the Premier, Inviting consideration of the Parliamentary Budget Office 2015 Post-election Report, dated 25 June 2015.

**3. Parliamentary Budget Office 2015 Post-election Report**

The Committee discussed the responses received to date and noted the lack of reply from Transport for NSW and the Premier.

Resolved, on the motion of Mr Bromhead, seconded by Mr Piper: That the Chair writes to agencies that have not yet responded to request their comments on the recommendations of the Parliamentary Budget Office 2015 Post-election Report. Further consideration of the Report will be undertaken once all responses have been received.

4. ...

5. ...

6. ...

7. ...

**8. Next Meeting**

The Committee adjourned at 9.52am until Thursday, 27 August 2015 at 9.15am in Room 1043 at Parliament House.

**MINUTES OF MEETING No 4**

27 August 2015

9.25am

Room 1043, Parliament House

**Members Present**

Mr Bruce Notley-Smith (Chair), Mr Stephen Bromhead, Mr Lee Evans, Mr Greg Piper, Mr Michael Daley.

**Apologies**

Mr Mark Taylor (Deputy Chair).

**Officers in Attendance**

Bjarne Nordin, James Newton, Derya Sekmen.

1. ...

2. ...

**3. Parliamentary Budget Office 2015 Post-election Report**

The Committee deliberated.

Resolved, on the motion of Mr Piper, seconded by Mr Daley: That the Secretariat prepares a draft report for consideration at its next meeting.

4. ...

5. ...

**6. Next Meeting**

The Committee adjourned at 9.44am until Thursday, 17 September 2015 at 9.30am in Room 1043 at Parliament House.

**MINUTES OF MEETING No 5**

17 September 2015

9.17am

Room 1043, Parliament House

**Members Present**

Mr Bruce Notley-Smith (Chair), Mr Stephen Bromhead, Mr Lee Evans, Mr Greg Piper.

**Apologies**

Mr Mark Taylor (Deputy Chair), Mr Michael Daley.

**Officers in Attendance**

Bjarne Nordin, James Newton, Derya Sekmen.

1. ...

2. ...

**3. Report Consideration – Chair’s draft Report on the Parliamentary Budget Office 2015 Post-election Report**

The Committee considered the recommendations of the draft Report separately.

Resolved, on the motion of Mr Bromhead, seconded Mr Piper: That the Committee adopts Recommendation 1 of the draft Report.

Resolved, on the motion of Mr Evans, seconded Mr Bromhead: That the Committee adopts Recommendation 2 of the draft Report.

Resolved, on the motion of Mr Piper, seconded Mr Evans: That the Committee adopts the draft report and signed by the Chair for presentation to the House and authorises the Secretariat to make appropriate final editing and stylistic changes, as required.

Resolved, on the motion of Mr Bromhead, seconded Mr Evans: That the report, once tabled, be posted on the Committee's website.

4. ...

5. ...

**6. Next Meeting**

The Committee adjourned at 9.30am until Thursday, 22 October 2015 at 9.15am in Room 1043 at Parliament House.