

## DRAFT SECOND READING SPEECH

HON. PETER GUTWEIN MP

### *Charter of Budget Responsibility Amendment Bill 2015*

*\*check Hansard for delivery\**

Madam Speaker

The *Charter of Budget Responsibility Act* was passed by Parliament in 2007 with the aim of improving transparency and accountability in financial management.

The Act largely reflected legislation that was already in place in a number of other jurisdictions and addressed issues relating to the Government's fiscal policy outcomes and the establishment of a number of requirements on Treasury, the Government and Opposition Parties, at the time of the holding of an election for the House of Assembly.

Since the passage of the Charter of Budget Responsibility legislation two House of Assembly elections have been held that have been subject to the requirements of the Act.

As part of the Government's first Budget for 2014-15 it announced an important new Fiscal Strategy. This Fiscal Strategy is based on a number of key long-term fiscal principles and the identification of strategic actions to be taken by the Government to achieve these principles. As part of these strategic actions, the Government is committed to improving financial transparency.

To this end, the 2014-15 Budget Papers stated that the Government would be introducing a number of amendments to the Charter of Budget Responsibility Act to assist in meeting this objective. The Government's intentions in this regard were reiterated in the 2015-16 Budget and are also reflected in the Government's 365 Day Plan.

Amendments to the Charter of Budget Responsibility Act compliment the new financial management legislation that the Government will be introducing into Parliament in the near future. That legislation will provide a much needed update to the Government's financial management legislative framework and will replace the Public Account Act 1986 and the remaining financial management provisions of the Financial Management and Audit Act 1990.

The amendments to the Charter of Budget Responsibility Act that are the subject of this Bill are:

- the inclusion of revised fiscal management principles;
- the requirement for the Government to produce a five yearly review of the State's finances;
- the requirement for the Government to announce its fiscal strategy prior to an election at the same time as Opposition Parties; and
- the establishment of a new election costing period definition.

Madam Speaker, the Government believes strongly in the establishment of an appropriate and enduring set of fiscal principles which are designed to provide a strong financial foundation and be applicable across financial and economic cycles. The Government also believes that these principles should have the interests of the Tasmanian community, now and into the future, at their core.

The establishment of these principles ensures that there is a focus on the long-term while also recognising that a government can legitimately depart from short-term objectives in response to changing circumstances, as long as that departure is necessary, transparent and justifiable.

Having reviewed the principles currently incorporated within the legislation the Government considers that it is important that these be improved through a number of changes which increase the emphasis on:

- improving the wellbeing of Tasmanians;
- improving services to Tasmanians;
- building a strong economy; and
- building a robust financial position.

This Bill therefore establishes the following six principles of sound fiscal management:

- manage the State's finances responsibly for the wellbeing of all Tasmanians;
- provide for the future for the next generation of Tasmanians;
- prepare for unexpected events by building a robust financial position;
- improve services to Tasmanians by building a strong economy and efficiently allocating public resources to gain the maximum community benefit;

- formulate spending and taxation policies that ensure a reasonable degree of equity, stability and predictability; and
- ensure transparency and accountability in developing, implementing and reporting on fiscal objectives.

The Government considers that these principles provide a strong and appropriate foundation for the management of the State's finances while also better reflecting objectives that are particularly appropriate for Tasmania's future prosperity.

Madam Speaker, this Bill also contains amendments that establish a requirement that the Government produce a report every five years on the long-term sustainability of the State's finances.

As Members are aware, Tasmania faces particular challenges and opportunities over the coming decades from a changing demographic landscape. These changing demographics have the potential to significantly impact the future services and infrastructure required by the Tasmanian community and therefore also the future Budget position.

The requirement for this Government and future Tasmanian governments to produce a report on the sustainability of the State's finances will provide a new level of accountability and public reporting on the impact of current policy settings on future generations of Tasmanians.

This report will provide an important longer term perspective on fiscal policy that is currently not captured by reporting on the Budget and three years of Forward Estimates. It will play an important role in communicating to the Tasmanian community a better understanding of the future environment in which the current Budget has been prepared. As such, it will also provide further information on which the Government of the day's decisions can be assessed.

The establishment of a requirement to produce this report is consistent with similar requirements that already exist in a number of other jurisdictions.

Importantly, the legislation will require that the form and content of the report is to be determined by the Secretary of the Department of Treasury and Finance. Not only will this ensure the independence of the Report but it will also enable the Report to reflect the key issues that exist at the time of its preparation rather than be limited by pre-determined criteria which may be relevant today but not tomorrow.

The first of these reports will be released in the first half of 2016.

Madam Speaker, the legislation as currently drafted requires that a Leader of an Opposition Party must publicly announce a fiscal strategy statement within 15 days of the calling of an election for the House of Assembly. While there are other requirements for the Government to have a fiscal strategy, there is no specific requirement for the Government to clearly state its fiscal strategy as part of the pre-election process.

It is considered important that the Government be subject to the same requirements as Opposition Parties in this regard.

Amendments have therefore been included in this Bill which require the Premier to also publicly announce the Government's pre-election fiscal strategy within 15 days of the calling of an election.

Madam Speaker, the final amendment included in this Bill represents a minor definitional change.

At the present time the legislation includes a definition of "caretaker period". This definition is used as the basis for a number of timeframes within the legislation. While the definition is correct for the purposes of the legislation, the use of the words "caretaker period" could be confusing as the definition is inconsistent with the generally accepted understanding of the caretaker period.

By convention, the caretaker period begins at the time the House of Assembly is dissolved or expires and continues until the election result is clear or, if there is a change of government, until the new government is appointed. This differs from the definition for the purposes of the legislation which has the caretaker period concluding at the close of the poll on the polling day of the election.

To assist in avoiding any confusion, this Bill provides for a change in the name for this definition from "caretaker period" to "election costing period", as it applies to specific time periods and activities in the Act.

Madam Speaker, the Government is committed to managing the State's finances in a responsible and transparent manner. The amendments contained within this Bill will play an important role in improving the framework within which the State's future finances are managed.

Through the revised fiscal principles set out in this Bill the long-term financial objectives of this and future Tasmanian governments are made very clear and more relevant to the Tasmanian position.

And, through the requirement to prepare a regular report on the long-term sustainability of the State's finances, the Government, Opposition Parties, other Members of Parliament and the broader Tasmanian community can have a better understanding of the future demands on the State financial position.

This Bill will contribute to increased public confidence in the Government's management of the State's finances and ensure that all governments remain accountable and transparent in their financial management.

Madam Speaker, I commend the Bill to the House.