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CHARTER OF BUDGET RESPONSIBILITY AMENDMENT BILL 2025 (No. 23)

Second Reading

Mr WILLIE (Clark) - Honourable Speaker, I move -

That the bill be now read a second time.

This is a timely debate. The Budget will be delivered tomorrow. It is a big day for the Tasmanian parliament and Tasmanian people. There will be members of this House who will have plenty to say about the budget and the trajectory of the budget, myself included. I am giving members an opportunity today to require the government to get Treasury to produce more analysis of the Budget. I have a position that Treasury should be doing more of this work in terms of the budget analysis, but also economic analysis for the Tasmanian economy to contribute to economic discourse.

I have also given members another opportunity after the budget session to consider some fiscal discipline measures. We have a government that is racking up the biggest deficits in the state's history. We have record debt. That will be another debate for members to consider.

There are a number of opportunities before this House, including this one that I am providing. We know there is support within this House for a parliamentary budget office. We do not have that yet. A parliamentary budget office is an independent financial office that can help members of parliament with budget analysis. We do not have that yet, but we can demand that this government and Treasury start doing a bit more of this budget analysis and economic analysis more regularly.

There is a history here when it comes to the Fiscal Sustainability Report, for newer members. In 2016, the first report was delivered. My understanding is that Treasury, at that time, took around nine months to deliver that report. They had to develop models for long-term projections. That report was called in by the Public Accounts Committee in around 2018-19, I believe, some questions were asked and Treasury realised that they needed to revise the report. An additional report was done and produced in 2019, and the Treasury had changed the models.

Following that, we had a subsequent report by legislation in 2021. Currently under the legislation, these reports are only produced once every five years. What this amendment seeks to do is to make sure that every parliamentary term, every government, is able to be scrutinised around one of these reports. This amendment bill also seeks to bring this report forward, to line it up with the constitutional parliamentary term and to allow the parliament to have further scrutiny of the budget trajectory by the end of the year.

There is a little bit of background for members who are newer to this place. I had a look at the Treasury website and there was quite a helpful Q&A document there. I might read sections of it because it will be helpful for members to understand what the report is about. I will provide some commentary along the way.

> What is the report about?
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> The report provides a long-term perspective on the state's fiscal outlook beyond the reporting of the Budget and forward Estimates - using a 15-year projection period.
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> The report examines long-term fiscal sustainability under a number of different scenarios.
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> Consistent with the requirements of the *Charter of Budget Responsibility Act 2007*, the Report has regard to current Government policies and anticipated demographic changes and provides early notice of potential long-term fiscal pressures for the State to inform future fiscal management.
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> …
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> The report uses a number of measures to assess fiscal sustainability.

> The measures are consistent with those presented in the Treasurer's Annual Financial Report, the State Budget and the previous 2019 Fiscal Sustainability Report.

This is concerning the 2021 report, obviously:

> The fiscal measures are:
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> - Net Operating Balance;
> - Fiscal Balance; and
> - Net Debt.

The last report stated that:

> Fiscal sustainability is the ability of a government to sustain its current spending, tax and other policies through a changing economic environment without threatening government solvency or defaulting on its liabilities or failing to meet committed expenditures.

The reasons the 15-year projection is chosen is:

- there is some level of knowledge of events that are likely to occur over the next 15 years but reduced certainty beyond that timeframe;
- projections over a longer-term would likely follow the same trends established for the 15-year projection and not add further value in relation to assessing fiscal sustainability;
- it is consistent with the Organisation for Economic Co-Operation and Development's guidance on long-term reporting, where long-term is considered to be between 10 and 40 years …

The report adopts four scenarios. The scenarios have been used in each of the reports so far, and they are chosen to present a range of alternative potential outcomes. Two of the scenarios are intended to show how adverse outcomes, in relation to expenditure or revenue, may impact on the state's future financial position. Each projection scenario is described briefly below.

You have the historical trends scenario. This scenario uses historical data to project expenditure and revenue, including known significant future changes, to develop projections that may arise in the future without policy intervention.

There is a forward Estimates scenario. This scenario develops projections based on revenue and expenditure patterns over the 2020-2021 Budget and forward Estimates period. This scenario shows the impact of the state government's policy and fiscal intent as expressed in the 2020-2021 Budget. This is for the last report.

If these arrangements were maintained over the projection period, then there is a high expenditure scenario.

> … most expenditure and revenue categories are projected based on their historical trends -

but some expenditure items have been projected at higher levels, including health, education and capital expenditure. This scenario shows the potential impacts on the state's finances of ongoing expenditure growth in the absence of policy responses to contain this additional growth or raised revenue. Arguably, we are on that high expenditure scenario at the moment under this government's trajectory.

Low revenue - under this scenario, most revenue categories are projected based on their historical trends, but some revenue items have been predicted at lower levels, including GST receipts, Australian government payments, and conveyance duty.

In the last report, the results showed predicted fiscal outcomes that are manageable in the short to medium term and the size of the corrective action required to maintain fiscal sustainability increases over the projection period.

The projections were developed using standard budgeting practices and were based on data that is consistent with that presented in the Treasurer's annual financial reports. Input data was adjusted for known or expected changes in revenue, expenditure and major capital projects to determine results for fiscal measures for each year of the 15-year period. All projections assume that there is no corrective policy action by the government. The scenarios presented in the report are projected based on different assumptions. They are not forecasts in that they are not attempting to predict what will happen in the future. No scenario is considered more or less likely.

Under the provisions of the *Charter of Budget Responsibility Act 2007*, the next report will be published on 30 June 2026, so next year. I will perhaps wait for the government to make their contribution, but I know that one of the arguments they will make is that if a report is produced this year, it will not include the actuals from the Treasurer's Annual Financial Reports (TAFR). As the act is currently drafted, it does not include the latest actuals from the TAFR on 30 June 2026 either. We can have that debate when the government raises it.

There are challenges that Tasmania is facing, that is well known, as presented in the last report. It has been some time since 2021 when we had that report. Things that were raised in that report included a reliance on Australian government funding - for 63.3 per cent of the budget back in 2021 the revenue source was from the federal government. It is now 65 per cent. That indicates there are fiscal pressures that are outside of our control. I have said in the House before that when 65 per cent of your revenue comes from the federal government, you need to be really disciplined in managing the budget. There are not a lot of levers you can pull to get yourself out of the mess that we are currently in. We need to grow our own-source revenue through growing the economy so that we are more in control like other states.

Greater demand and higher costs for providing services is an issue in Tasmania that we all know about, particularly around rising health costs. Expenditure on health services is growing at a rate that outpaces revenue growth, posing a significant challenge to fiscal sustainability. In the last report they outlined the projection - it was an actual - which started at

26.4 per cent. As a total share of the budget, it went to 32.3 per cent. Under a historical trend scenario in the last report, it said that it was projected to grow to 40.6 per cent of the overall share of the budget at the end of the projection. In a high expenditure scenario, it was 41.8 per cent.

We have demographic pressures too, which was outlined in the report. We have an ageing population, which puts extra demand on our health service, as well as things like expenses, growth and technology, expectations of the population in terms of the healthcare they are delivered. These are all putting pressures on the budget. However, our ageing population is increasing demand for services not only in health but the aged care sectors. We have population growth in immigration, migration levels, which generally reflect the economic cycles of the state. If you look at the latest population data from the Australian Bureau of Statistics, we have had nine consecutive quarters of negative interstate migration. This means there are more people moving to the mainland than people moving here from the mainland, and that is a concern. It should be a concern for all of us.

Tasmania has some economic vulnerabilities. That is highlighted in the last report, too. Factors such as lower disposable incomes, higher unemployment rates and greater reliance and welfare benefits exacerbate the state's fiscal pressures.

The last report, given the time it was delivered, highlighted the impact of COVID-19. It said in that report that while the pandemic has had short-term effects, it has not fundamentally altered the long-term fiscal outlook. This government likes to talk about COVID a lot in terms of the trajectory of the budget, but we know it was not just the COVID measures that have turned the budget into the worst shape it has ever been in. There was a clear statement in the last report that spending for COVID-19 was not impacting the long-term fiscal outlook.

There was some outline in the last report implementing measures to control and optimise government spending, particular high-growth areas like health. There was strategic planning, developing long-term plans that address demographic challenges and economic challenges. It also talked about public engagement, involving the community in discussions about fiscal priorities and trade-offs. In that regard, Tasmanians are certainly waking up to the state of our finances.

Over the past 12 months or two years, many Tasmanians are starting to understand the shape of the budget. That has been helped with economic analysis. People like when it gets talked about a lot in this Chamber - Saul Eslake doing that review into the state's finances. Obviously, a lot of people took notice of that.

This is a pretty simple amendment. It will provide the parliament with some further work from Treasury, and some budget analysis by the end of the year. It will hold every government accountable on a four-year cycle, just like they should be. Arguably, it will be future governments that have to live by this and if I am fortunate to become a treasurer in a future government, I would be more than happy for this report to be produced every four years. I believe it is important to the economic discourse and the political debate that these reports are produced on a more regular basis so that we can all be informed about the decisions being taken on our behalf.

I am aware that there are members who want to make contributions. There may be amendments, I am not sure. I will wrap it up there. It is a fairly simple amendment. I did offer members an opportunity for a briefing if they required it. Thank you to the members who did reach out for a chat or a discussion.

I will take the opportunity at the end to sum up other people's contributions. This is nothing to worry about. It is a fairly simple amendment. The government will make their arguments. I am sure they probably do not have much of a problem with the four-yearly cycle. They may talk about resourcing, but I will make this point, before they have an opportunity, that you had Saul Eslake on his own do a comprehensive review of the state's finances in six months, including forward projections. Treasury has built these models. They have already done two of these reports. The government will try and tell you it will take nine months to produce one of these reports. That is not true. I have heard from within Treasury myself that it is about six months. It could easily be done this year with some more support. If Saul Eslake on his own can do a report like that in six months, I am sure the good people in Treasury can produce a report like this by the end of the year.

I will leave you with that because I am sure the government is going to do everything it can to scare members. It should not be like that, because this is a very simple amendment, and we can get it done.

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