

HOUSE OF REPRESENTATIVES

Supplementary Order Paper

Tuesday, 24 May 1994

FISCAL RESPONSIBILITY BILL

Proposed Amendments

Right Hon. W. F. BIRCH, in Committee, to move the following amendments:

Clause 3: To omit this clause (all the words in lines 8 to 13 on page 3), and substitute the following clause:

3. Interpretation—(1) In this Part of this Act, unless the context otherwise requires, “Budget”, in relation to a financial year, includes—

- (a) The statement delivered by the Minister when moving the second reading of the first Appropriation Bill relating to that financial year; and
- (b) The fiscal strategy report laid before the House of Representatives under section 6 (1) of this Act for that financial year; and
- (c) The report containing an economic and fiscal update laid before the House of Representatives under section 7 (1) of this Act for that financial year; and
- (d) The Estimates laid before the House of Representatives under section 9 (1) of the Public Finance Act 1989 for that financial year.

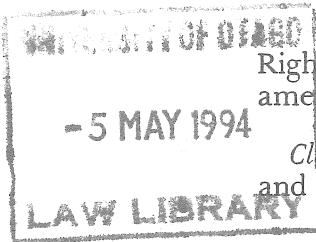
(2) In this Part of this Act, unless the context otherwise requires, the terms “commitment”, “contingent liability”, “Crown”, “department”, “expenses”, “financial year”, “generally accepted accounting practice”, “Government”, “Minister”, “Secretary”, and “Treasury” have the meanings given to them by section 2 (1) of the Public Finance Act 1989.

Clause 4A: To insert, after clause 4 (which appears on page 3), the following clause:

4A. Principles of responsible fiscal management—

(1) Subject to subsection (3) of this section, the Government shall pursue its policy objectives in accordance with the principles of responsible fiscal management specified in subsection (2) of this section.

(2) The principles of responsible fiscal management are—



- (a) Reducing total Crown debt to prudent levels so as to provide a buffer against factors that may impact adversely on the level of total Crown debt in the future, by ensuring that, until such levels have been achieved, the total operating expenses of the Crown in each financial year are less than its total operating revenues in the same financial year; and
 - (b) Once prudent levels of total Crown debt have been achieved, maintaining these levels by ensuring that, on average, over a reasonable period of time, the total operating expenses of the Crown do not exceed its total operating revenues; and
 - (c) Achieving and maintaining levels of Crown net worth that provide a buffer against factors that may impact adversely on the Crown's net worth in the future; and
 - (d) Managing prudently the fiscal risks facing the Crown; and
 - (e) Pursuing policies that are consistent with a reasonable degree of predictability about the level and stability of tax rates for future years.
- (3) The Government may depart from the principles of responsible fiscal management specified in subsection (2) of this section, but when the Government does so—
- (a) Any such departure shall be temporary; and
 - (b) The Minister of Finance shall, in accordance with this Act, specify—
 - (i) The reasons for the Government's departure from those principles; and
 - (ii) The approach the Government intends to take to return to those principles; and
 - (iii) The period of time that the Government expects to take to return to those principles.

Clause 5A: To insert, after clause 5 (which appears on page 3), the following clause:

5A. Budget policy statement—(1) The Minister shall, not later than the 31st day of March in each year, cause to be published a budget policy statement.

(2) The budget policy statement shall specify the Government's long-term objectives for fiscal policy and, in particular, for the following variables:

- (a) The Crown's total operating expenses; and
- (b) The Crown's total operating revenues; and
- (c) The balance between the Crown's total operating expenses and the Crown's total operating revenues; and
- (d) The level of the Crown's total debt; and
- (e) The level of the Crown's net worth,—

and shall explain how these long-term objectives accord with the principles of responsible fiscal management specified in section 4A (2) of this Act.

(3) The budget policy statement shall, for the financial year commencing on the 1st day of July after it is laid before the House of Representatives and the 2 financial years following that financial year,—

- (a) Specify the broad strategic priorities by which the Government will be guided in preparing the Budget for that financial year; and

- (b) Indicate explicitly, by the use of ranges, ratios, or other means, the Government's intentions regarding each of the variables specified in subsection (2) of this section.
- (4) The budget policy statement shall—
 - (a) Assess the extent to which the intentions indicated under subsection (3) (b) of this section are consistent with the principles of responsible fiscal management specified in section 4A (2) of this Act and with the objectives specified under subsection (2) of this section; and
 - (b) Where the intentions indicated under subsection (3) (b) of this section are not consistent with the principles of responsible fiscal management specified in section 4A (2) of this Act or with the objectives specified under subsection (2) of this section or with both, specify—
 - (i) The reasons for the departure of those intentions from those principles or from those objectives or from both; and
 - (ii) The approach the Government intends to take to ensure that its intentions regarding each of the variables specified in subsection (2) of this section become consistent with those principles and those objectives; and
 - (iii) The period of time that is expected to elapse before the Government's intentions regarding each of the variables specified in subsection (2) of this section become consistent with those principles and those objectives.
- (5) The budget policy statement shall—
 - (a) Assess the consistency of the objectives specified under subsection (2) of this section with the objectives specified in—
 - (i) The immediately preceding budget policy statement; or
 - (ii) Where the objectives specified in the immediately preceding budget policy statement were amended in the report most recently prepared under section 6 of this Act, the objectives specified in that report; and
 - (b) Where the objectives specified under subsection (2) of this section are not consistent with those in the immediately preceding budget policy statement or in the report most recently prepared under section 6 of this Act, justify the departure of the objectives specified under subsection (2) of this section from those in that immediately preceding budget policy statement or in that report.
- (6) The budget policy statement shall—
 - (a) Assess the consistency of the intentions indicated under subsection (3) (b) of this section with the intentions indicated in—
 - (i) The immediately preceding budget policy statement; or
 - (ii) Where the intentions indicated in the immediately preceding budget policy statement were amended in the report most recently prepared under section 6 of this Act, the intentions indicated in that report; and

(b) Where the intentions indicated under subsection (3) (b) of this section are not consistent with those in the immediately preceding budget policy statement or in the report most recently prepared under section 6 of this Act, justify the departure of the intentions indicated under subsection (3) (b) of this section from those in that immediately preceding budget policy statement or in that report.

(7) The Minister shall not later than 3 sitting days after the date of the publication of a budget policy statement under subsection (1) of this section, lay a copy of the statement before the House of Representatives.

Clause 6: To omit this clause (all the words in lines 19 to 38 on page 3 and in lines 1 to 18 on page 4), and substitute the following clause:

6. Fiscal strategy report—(1) The Minister shall, for each financial year, after the introduction of the first Appropriation Bill relating to that financial year, but on the same day, lay before the House of Representatives a report on the Government's fiscal strategy.

(2) The fiscal strategy report shall include—

(a) An assessment of the extent to which the report containing an economic and fiscal update being laid before the House of Representatives under section 7 (1) of this Act is consistent with the intentions indicated under section 5A (3) of this Act in the budget policy statement most recently published under section 5A (1) of this Act; and

(b) Where the economic and fiscal update departs from the intentions indicated under section 5A (3) of this Act in that budget policy statement, an explanation of the reasons for the departure; and

(c) Where the Government's intentions under section 5A (3) of this Act have changed from those indicated in that budget policy statement, an amended version of the intentions required by section 5A (3) of this Act.

(3) The fiscal strategy report shall also include—

(a) Progress outlooks that—

(i) Include projections of trends in the variables specified in section 5A (2) of this Act, which projections shall illustrate, for stated significant assumptions, likely future progress towards achieving the longer-term fiscal strategy and objectives specified in the budget policy statement most recently published under section 5A (1) of this Act; and

(ii) Explain the reasons for any significant differences from previous progress outlooks; and

(b) An assessment of the consistency of the progress outlooks with the objectives specified under section 5A (2) of this Act in the budget policy statement most recently published under section 5A (1) of this Act; and

(c) Where the progress outlooks depart from the objectives specified under section 5A (2) of this Act in that budget policy statement, an explanation of the reasons for the departure; and

(d) Where the Government's objectives under section 5A (2) of this Act have changed from those specified in that budget policy statement, an amended version of the

objectives required by section 5A (2) of this Act (which version shall accord with the principles of responsible fiscal management specified in section 4A (2) of this Act).

(4) The projections required by subsection (3) (a) (i) of this section shall relate to a period of 10 or more consecutive financial years commencing with the financial year to which the Appropriation Bill relates.

Clause 14A: To insert, after clause 14, the following clause:

14A. Referral to select committee—There shall stand referred to any committee of the House of Representatives responsible for the overall review of financial management in government departments and other public bodies—

- (a) Every budget policy statement published under section 5A (1) of this Act:
- (b) Every fiscal strategy report laid before the House of Representatives under section 6 (1) of this Act:
- (c) Every report laid before the House of Representatives under section 7 (1) of this Act:
- (d) Every report published under section 12 (1) or section 13 of this Act:
- (e) Every report laid before the House of Representatives under section 14 (1) of this Act.

Title: To omit the Title (all the words in lines 2 to 36 on page 2), and substitute the following Title:

An Act to improve the conduct of fiscal policy by specifying principles of responsible fiscal management and by strengthening the reporting requirements of the Crown and, in particular,—

- (a) By requiring the Minister of Finance to report regularly to the House of Representatives on the extent to which the Government's fiscal policy is consistent with the specified principles of responsible fiscal management and to justify in his or her report any departures made by the Government from those principles; and
- (b) By requiring all the Crown's financial reporting to be in accordance with generally accepted accounting practice; and
- (c) By requiring the Minister of Finance—
 - (i) To publish, at least 3 months before the start of each financial year, a budget policy statement containing the Government's long-term objectives for fiscal policy, its broad strategic priorities for the Budget for that financial year, and its fiscal intentions for that and the next two financial years; and
 - (ii) To lay before the House of Representatives, on the day on which the first Appropriation Bill relating to a financial year is introduced, a fiscal strategy report assessing the consistency of the Budget with the Budget policy statement and providing progress outlooks for the next 10 years, and an

economic and fiscal update prepared by the Treasury for the next 3 years; and

(iii) To publish, in December of each financial year, an economic and fiscal update prepared by the Treasury for the next 3 years; and

(iv) To publish, before each general election, an economic and fiscal update prepared by the Treasury for the next 3 years; and

(v) To lay before the House of Representatives, towards the end of each financial year, a fiscal update prepared by the Treasury for that year, including forecast estimated actual financial statements for the Crown; and

(d) By amending the Public Finance Act 1989

EXPLANATORY NOTE

Clause 3: It is proposed to omit this clause, and substitute a new clause.

Subclause (1) of the new clause defines the term "Budget" (which is used in the new *clause 5A (3) (a)*). The term is to include the Budget speech, the fiscal strategy report, the economic and fiscal update required to be tabled on Budget night, and the Estimates.

Subclause (2) applies, for the purposes of *Part I* of the Bill, definitions contained in section 2 (1) of the Public Finance Act 1989.

New clause 4A: This new clause specifies principles of responsible fiscal management and requires the Government to pursue its policy objectives in accordance with those principles. The principles relate to achieving and maintaining prudent levels of Crown debt and levels of Crown net worth that provide a buffer against future adverse factors, managing prudently the fiscal risks facing the Crown, and pursuing policies that are consistent with a reasonable degree of predictability about the level and stability of tax rates for future years.

Subclause (3) allows temporary departures from the principles of responsible fiscal management but requires the Minister of Finance to specify the reasons for the departure, the approach the Government intends to take to return to the principles, and the period of time this return is expected to take.

New clause 5A: Subclause (1) requires the Minister of Finance to publish a budget policy statement by 31 March in each year.

Subclause (2) requires the statement to specify the Government's long-term objectives for fiscal policy and, in particular, for the Crown's operating expenses, operating revenues, operating balance, debt, and net worth and to explain how these objectives accord with the principles of responsible fiscal management.

Subclause (3) requires the budget policy statement to specify the Government's broad strategic priorities for the next Budget and to indicate explicitly the Government's intentions regarding the Crown's operating expenses, operating revenues, operating balance, debt, and net worth for the next 3 financial years.

Subclause (4) requires the budget policy statement to assess the extent to which the Government's fiscal intentions for the next 3 years are consistent with the principles of responsible fiscal management and the Government's long-term fiscal objectives. Where those intentions are not consistent with those principles and those objectives, the statement is required to specify the reasons for the departure, the approach the Government intends to take to make its fiscal intentions consistent with those principles and those objectives, and the period of time that this is expected to take.

Subclauses (5) and (6) require the budget policy statement to compare the long-term fiscal objectives and fiscal intentions with those specified most recently and to justify any departure from those specified most recently.

Subclause (7) requires the Minister of Finance to table each budget policy statement not later than 3 sitting days after its publication.

Clause 6: It is proposed to omit this clause, and substitute a new *clause 6*. The substitution is consequent on the insertion of the principles of responsible fiscal management and the requirement for a budget policy statement.

Subclause (2) requires the fiscal strategy report to assess the extent to which the economic and fiscal update being tabled on Budget night is consistent with the most recent budget policy statement and to give reasons for any departure. Where the Government's fiscal intentions have changed from those indicated in the budget policy statement, the report is to include an amended version of the Government's fiscal intentions for the next 3 financial years.

Subclauses (3) and (4) require the report to include progress outlooks for at least the next 10 financial years, to assess the consistency of the progress outlooks with the Government's long-term fiscal objectives, and to give reasons for any departure. Where the Government's long-term fiscal objectives have changed from those in the most recent budget policy statement, the report is to include an amended version of the Government's long-term fiscal objectives (which version must accord with the principles of responsible fiscal management).

New clause 14A: This new clause provides for the statements and reports required under *Part I* of the Bill to stand referred to any committee of the House of Representatives responsible for the overall review of financial management in government departments and other public bodies.

Title: It is proposed to omit the *Title*, and substitute a new *Title*. The changes in the *Title* are consequential on the other amendments proposed in this Supplementary Order Paper.