

The Treasury

CAB-19-MIN-0373 Independent Fiscal Institution: Detailed Decisions

February 2022

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Cabinet Document Details

Title: **Cabinet Minute: CAB-19-MIN-0373: Independent Fiscal Institution: Detailed Decisions**

Date: **29 July 2019**

Creator: Cabinet Office

Information Withheld

No information has been withheld.

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Cabinet

Minute of Decision

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Independent Fiscal Institution: Detailed Decisions

Portfolios **Finance / Associate Finance (Hon James Shaw)**

On 29 July 2019, following reference from the Cabinet Government Administration and Expenditure Review Committee (GOV), Cabinet:

Background

- 1 **noted** that in May 2019, Cabinet agreed to pursue the establishment of a new Officer of Parliament to undertake the functions of an independent fiscal institution (IFI), to enhance fiscal responsibility, accountability and transparency, promote better-informed public debate, and strengthen Parliamentary scrutiny [CAB-19-MIN-0215];
- 2 **noted** that the Officers of Parliament Committee (OPC) considers proposals for the creation of an Officer of Parliament, and that the OPC seeks to achieve a consensus view on the proposal before submitting its recommendation to the House;

Parliamentary Budget Officer – Kaitiaki Kaupapa Rawa

- 3 **agreed** that the new Officer of Parliament will be called the Parliamentary Budget Officer – Kaitiaki Kaupapa Rawa (PBO);
- 4 **agreed** that the new Officer will be the head of the Parliamentary Budget Office;
- 5 **noted** that as an Officer of Parliament:
 - 5.1 the PBO will be accountable to Parliament for the execution of its functions, and will be accountable to the Speaker for the efficient management of resources;
 - 5.2 the PBO will be appointed by the Governor-General on recommendation of the House of Representatives;
 - 5.3 the PBO's budget will be determined by the House of Representatives, not the government, that funding for the PBO will be agreed through the established OPC budget process, and that a permanent legislative authority will be established to provide for the PBO's salary and allowances;

- 6 **agreed** that:
- 6.1 the PBO will be appointed for a term of 5 years, and be allowed to be reappointed;
 - 6.2 the OPC will be able to extend a PBO's term if the end of the PBO's term falls within the 12 months preceding the last possible date of a general election, and where a term has been extended an appointment or reappointment of the PBO will be made as soon as practicable once the new Parliament is in session;
- 7 **agreed** that the provisions setting out the PBO's oath of office, terms of employment, processes for resignation, removal or suspension, powers to employ staff and contractors, powers to delegate, and annual reporting and audit obligations will be consistent with the provisions in the Ombudsmen Act 1975, the Environment Act 1986, and the Public Audit Act 2001 relating to the existing Officers of Parliament;

Fiscal council functions

- 8 **noted** that in May 2019, Cabinet agreed that the PBO will perform the following fiscal council functions:
- 8.1 assess compliance with the government's fiscal strategy;
 - 8.2 comment on the Treasury's economic and fiscal forecasts;
 - 8.3 comment on long-term fiscal sustainability and key fiscal risks;
 - 8.4 produce research and information relating to its fiscal council functions;
- [CAB-19-MIN-0215]
- 9 **agreed** that that the PBO will not be permitted to make policy recommendations;
- 10 **agreed** that the PBO will have a duty to deliver the legislated functions, but will not be able to otherwise be directed to undertake economic or fiscal analysis or assessments;
- 11 **agreed** that the PBO will be required to assess and report on the government's compliance with its fiscal strategy as soon as practicable following the publication of the Budget Economic and Fiscal Update, and the Half-year Economic and Fiscal Update, and that these reports be required to be presented to the House;
- 12 **agreed** that the PBO will be required to assess and report on the government's compliance with its fiscal strategy following the publication of the Pre-election Economic and Fiscal Update, that the publication of this report will be before election day, and if the House is no longer in session that this report be presented to the House as soon as practicable following the meeting of the new Parliament;
- 13 **agreed** that the PBO will be able to produce reports at other times, as it sees fit, and that these reports be required to be presented to the House;
- 14 **agreed** that at the request of the House, or any select committee, the PBO (and their staff) will be required to be available to provide evidence to the House or committee on their published reports;

Policy costing functions

- 15 **noted** that in May 2019, Cabinet agreed:
- 15.1 that the PBO will perform the following policy costing functions:
- 15.1.1 provide financial costings of political party policies, including election manifestos and any costings requested during negotiations to form a government;
- 15.1.2 produce research and information relating to its policy costing function;
- 15.2 that policy costing services will be provided to political parties in Parliament and all registered political parties that have received at least 3 per cent of the party vote in the preceding general election;
- [CAB-19-MIN-0215]
- 16 **agreed** that political parties outside of Parliament that have not met the 3 per cent threshold referred to in paragraph 15.2 above, including newly registered political parties and parties that experience a significant increase in support between elections, will not have access to the policy costing service;
- 17 **agreed** that the PBO will be required to use the policy specifications provided by the political party to undertake a policy;
- 18 **agreed** that the PBO will be required to design a framework for prioritising requests, should demand for policy costing services exceed available resources;
- 19 **agreed** that the PBO will be required to design the framework outlined in paragraph 18 above based on the guiding principle of providing policy costing services to all eligible political parties on a fair basis;
- 20 **agreed** that requests for policy costings will be required to be made only by a single, designated political party representative of the political party, and that it will be up to the political party to determine how to appoint this representative;
- 21 **agreed** that the PBO will have the power to decline costing requests if they consider that the request is not intended to support the development of the requesting political party's own policy platform, or if it does not have sufficient information or resources to undertake the costing;
- 22 **agreed** that if the PBO declines a request, formal notification of the decision and the reason the PBO was unable to undertake the costing will be required to be provided to the designated political party representative;
- 23 **agreed** that the PBO will be required to provide the policy costing service at all times throughout the electoral cycle;
- 24 **agreed** that the PBO will be prohibited from disclosing information relating to policy costings, unless the request for information relates to a policy that it has costed and been publically announced;

- 25 **agreed** that once a political party has announced a policy costed by the PBO, the designated political party representative will be required to notify the PBO in writing that the policy has been announced, at which point the PBO will publish a detailed costing note including the fiscal impact of the policy, the policy specifications, costing methodology used, and other information relating to the costing;
- 26 **noted** that if the designated political party representative fails to notify the PBO of publication, the PBO will have the power to publish a costing note of a policy where the PBO considers the policy is the same, or substantively the same, as an announced policy, but that the PBO would be expected to consult the political party before publishing;
- 27 **agreed** that the PBO will be required to undertake policy costings in confidence and not disclose any more information than necessary for the purposes of discharging the PBO's functions when seeking information from state sector entities, and specifically will not disclose the identity of the requesting political party;
- 28 **agreed** that state sector entities will be prohibited from releasing any correspondence with the PBO, or any material that refers to a request for information from the PBO, and shall also be prohibited from disclosing the existence or absence of such information;
- 29 **agreed** that Ministers will not seek information relating to specific requests by the PBO from state sector entities for which they are responsible, and that state sector entities will not share with Ministers any information relating to information requested from the PBO;
- 30 **agreed** that the PBO will be subject to the Official Information Act 1982 and the Ombudsmen Act 1975;
- 31 **agreed** that the PBO will not disclose Parliamentarians' correspondence with the PBO related to policy costings;
- 32 **noted** that the prohibition on the PBO and state sector entities disclosing information relating to policy costings, described in paragraphs 24 and 28 above, would provide grounds to withhold information under the Official Information Act 1982;

Access to information

- 33 **agreed** that the PBO will have access to information held by designated state sector entities, subject to appropriate safeguards and grounds for refusal, such as where provision of information would prejudice national security and defence, commercial dealings, or wage negotiations;
- 34 **invited** the Minister of Finance and the Associate Minister of Finance (Hon James Shaw) (the Ministers) to report back to GOV on the design of the appropriate safeguards and grounds for refusal to be included in legislation;

Post-implementation review

- 35 **agreed** that there will be an external review of the PBO's performance and operations following the 2023 general election and that this review will consider the policy costing service eligibility criteria;

Financial implications

- 36 **agreed** that the proposal to OPC will recommend the following funding profile for the permanent institution, and recommend that a multi-year appropriation be established to provide the PBO with flexibility to support the delivery of their functions across an electoral cycle:

\$ million	Operating						Capital
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears	
Parliamentary Budget Office	-	-	4.4	5.4	6.2	5.6	0.7

- 37 **noted** that the budgets of Officers of Parliament are determined by the OPC and are not counted against the government's Budget allowances, but that this new funding will impact the operating balance and net core Crown debt;
- 38 **noted** that in addition to the funding in paragraph 36 above, approximately \$0.7 million of operating funding will be required in 2020/21 for the PBO establishment team, and that decisions on this funding will be taken at a later date;

Next steps

- 39 **invited** the Ministers to present a proposal to the OPC to establish a new Officer of Parliament to perform the IFI functions;
- 40 **invited** the Ministers to report back to GOV with an alternative institutional form option if the OPC does not approve the proposal to establish a new Officer of Parliament;
- 41 **invited** the Ministers to consult with the Speaker and the Opposition on the proposals;
- 42 **noted** that, following consultation with the Speaker, the Ministers intend to make an announcement on the proposal to establish an Officer of Parliament to undertake the IFI functions;
- 43 **authorised** the Ministers to make any subsequent policy decisions on related details consistent with the policy proposals, as necessary to prepare draft legislation, and to report back to Cabinet on these decisions at the same time as it considers the draft legislation;
- 44 **invited** the Ministers to issue drafting instructions to the Parliamentary Counsel Office to draft the legislative changes required to give effect to the above decisions.

Martin Bell
for Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister of Finance
Associate Minister of Finance (Hon James Shaw)