



Charter of Budget Honesty Act 1998

No. 22, 1998



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An Act to provide for a Charter of Budget Honesty

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Charter of Budget Honesty Act 1998

No. 22, 1998

An Act to provide for a Charter of Budget Honesty

[Assented to 17 April 1998]

The Parliament of Australia enacts:

1 Short title

This Act may be cited as the *Charter of Budget Honesty Act 1998*.

2 Commencement

This Act commences on the day on which it receives the Royal Assent.

Section 3

3 The Charter of Budget Honesty

- (1) The Charter of Budget Honesty is set out in Schedule 1.
- (2) Nothing in the Charter of Budget Honesty creates rights or duties that are enforceable in judicial or other proceedings.

Schedule 1—Charter of Budget Honesty

Note: See section 3.

Part 1—Purpose and overview

1 Purpose of Charter of Budget Honesty

The Charter of Budget Honesty provides a framework for the conduct of Government fiscal policy. The purpose of the Charter is to improve fiscal policy outcomes. The Charter provides for this by requiring fiscal strategy to be based on principles of sound fiscal management and by facilitating public scrutiny of fiscal policy and performance.

2 Overview of obligations

Principles of sound fiscal management

- (1) The Government's fiscal strategy is to be based on the principles of sound fiscal management (see Part 3).

Fiscal strategy statements

- (2) The Government's fiscal strategy is to be set out in a fiscal strategy statement publicly released and tabled by the Treasurer with each budget (see Part 4).

Note 1: The first fiscal strategy statement for a particular Government may be publicly released and tabled before its first budget.

Note 2: A particular Government may publicly release and table a new fiscal strategy statement at any time.

Regular fiscal reporting

- (3) The Treasurer is to publicly release and table regular fiscal reports as follows:
 - (a) there is to be a budget economic and fiscal outlook report with each budget (see Division 1 of Part 5);

Clause 2

- (b) there is to be a mid-year economic and fiscal outlook report by the end of January in each year or within 6 months after the last budget, whichever is later (see Division 2 of Part 5);
- (c) there is to be a final budget outcome report within 3 months of the end of each financial year (see Division 3 of Part 5).

Intergenerational reports

- (4) The Treasurer is to publicly release and table an intergenerational report at least once every 5 years (see Part 6).

General elections—pre-election report

- (5) The Secretaries to the Departments of the Treasury and Finance are to publicly release a pre-election fiscal and economic outlook report if a general election is called (see Part 7).

General elections—policy costings

- (6) The Government, or the Opposition (if the Prime Minister agrees to refer the request), may ask the Secretaries to the Departments of the Treasury and Finance to prepare a costing of any of its publicly announced policies if a general election is called. The costing will then be publicly released (see Part 8).

Part 2—Interpretation

3 Interpretation

- (1) In this Schedule, unless the contrary intention appears:

budget means an annual Commonwealth budget.

budget year means the financial year to which a budget relates.

caretaker period means, in relation to a general election, the period starting with the issue of the writ for the election and ending at the close of the poll on the polling day for the election.

Commonwealth body means a Department or other entity that is within the Commonwealth general government sector.

external reporting standards means:

- (a) the concepts and classifications set out in GFS Australia; and
- (b) public sector accounting standards developed by the Public Sector Accounting Standards Board.

general election means a general election of the members of the House of Representatives.

GFS Australia means the publication of the Australian Bureau of Statistics known as Government Finance Statistics Australia: Concepts, Sources and Methods, as updated from time to time. This updating takes 2 forms:

- (a) from time to time, a new version of the publication is produced;
- (b) from time to time, material in the current version of the publication is updated by other publications of the Australian Bureau of Statistics.

Government means the Commonwealth Government.

Clause 3

Leader of the Opposition means the Leader of the Opposition in the House of Representatives.

principles of sound fiscal management means the principles set out in clause 5.

responsible Ministers means the Treasurer and the Minister for Finance.

responsible Secretaries means the Secretary to the Department of the Treasury and the Secretary to the Department of Finance.

table means table in each House of the Parliament.

- (2) Other expressions used in this Act that are given a meaning by GFS Australia have the meanings so given.

Part 3—Principles of sound fiscal management

4 Formulation of Government fiscal policy

- (1) The Government's fiscal policy is to be directed at maintaining the on-going economic prosperity and welfare of the people of Australia and is therefore to be set in a sustainable medium-term framework.
- (2) To meet this objective, the Government's fiscal strategy is to be based on the principles of sound fiscal management.

5 The principles of sound fiscal management

- (1) The principles of sound fiscal management are that the Government is to:
 - (a) manage financial risks faced by the Commonwealth prudently, having regard to economic circumstances, including by maintaining Commonwealth general government debt at prudent levels; and
 - (b) ensure that its fiscal policy contributes:
 - (i) to achieving adequate national saving; and
 - (ii) to moderating cyclical fluctuations in economic activity, as appropriate, taking account of the economic risks facing the nation and the impact of those risks on the Government's fiscal position; and
 - (c) pursue spending and taxing policies that are consistent with a reasonable degree of stability and predictability in the level of the tax burden; and
 - (d) maintain the integrity of the tax system; and
 - (e) ensure that its policy decisions have regard to their financial effects on future generations.
 - (2) The financial risks referred to in paragraph (1)(a) include risks such as:
-

Clause 5

- (a) risks arising from excessive net debt; and
- (b) commercial risks arising from ownership of public trading enterprises and public financial enterprises; and
- (c) risks arising from erosion of the tax base; and
- (d) risks arising from the management of assets and liabilities.

Part 4—Fiscal strategy statement

6 Public release and tabling of fiscal strategy statements

- (1) The Treasurer is to publicly release and table the first fiscal strategy statement for a particular Government at or before the time of the Government's first budget.
- (2) The Treasurer is to publicly release and table a fiscal strategy statement for the Government at the time of each of the Government's subsequent budgets.
- (3) If the Government wants to change its fiscal strategy statement, it may do so at any time by the Treasurer publicly releasing and tabling a new fiscal strategy statement.
- (4) If a House of the Parliament is not sitting when a fiscal strategy statement is publicly released:
 - (a) the statement still takes effect from its public release; and
 - (b) the Treasurer is to table the statement in that House of the Parliament as soon as practicable after it next sits.

7 Purpose of fiscal strategy statements

The purpose of fiscal strategy statements is to increase public awareness of the Government's fiscal strategy and to establish a benchmark for evaluating the Government's conduct of fiscal policy.

8 Fiscal strategy statement to be based on principles of sound fiscal management

A fiscal strategy statement is to be based on the principles of sound fiscal management.

Clause 9

9 Contents of fiscal strategy statement

- (1) A fiscal strategy statement is to:
 - (a) specify the Government's long-term fiscal objectives within which shorter-term fiscal policy will be framed; and
 - (b) explain the broad strategic priorities on which the budget is or will be based; and
 - (c) specify the key fiscal measures that the Government considers important and against which fiscal policy will be set and assessed; and
 - (d) specify, for the budget year and the following 3 financial years:
 - (i) the Government's fiscal objectives and targets; and
 - (ii) the expected outcomes for the specified key fiscal measures; and
 - (e) explain how the fiscal objectives and strategic priorities specified and explained as required by paragraphs (a), (b) and (d) relate to the principles of sound fiscal management; and
 - (f) specify fiscal policy actions taken or to be taken by the Government that are temporary in nature, adopted for the purpose of moderating cyclical fluctuations in economic activity, and indicate the process for their reversal; and
 - (g) explain broadly the reporting basis on which subsequent Government fiscal reports will be prepared.
- (2) If particular information required to be included in the statement is unchanged from information set out in full in an earlier statement, the statement may instead summarise the information and state that it is unchanged from what was set out in the earlier statement.

Part 5—Annual Government reporting

Division 1—Budget economic and fiscal outlook report

10 Public release and tabling of budget economic and fiscal outlook reports

The Treasurer is to publicly release and table a budget economic and fiscal outlook report at the time of each budget.

11 Purpose of budget economic and fiscal outlook reports

The purpose of budget economic and fiscal outlook reports is to provide information to allow the assessment of the Government's fiscal performance against the fiscal strategy set out in its current fiscal strategy statement.

12 Contents of budget economic and fiscal outlook report

- (1) A budget economic and fiscal outlook report is to contain the following information:
 - (a) Commonwealth budget sector and Commonwealth general government sector fiscal estimates for the budget year and the following 3 financial years;
 - (b) the economic and other assumptions for the budget year and the following 3 financial years that have been used in preparing those fiscal estimates;
 - (c) discussion of the sensitivity of those fiscal estimates to changes in those economic and other assumptions;
 - (d) an overview of the estimated tax expenditures for the budget year and the following 3 financial years;
 - (e) a statement of the risks, quantified where feasible, that may have a material effect on the fiscal outlook, including:
 - (i) contingent liabilities; and

Clause 13

- (ii) publicly announced Government commitments that are not yet included in the fiscal estimates referred to in paragraph (a); and
 - (iii) Government negotiations that have yet to be finalised.
- (2) The information in the report is to take into account, to the fullest extent possible, all Government decisions and all other circumstances that may have a material effect on the fiscal and economic outlook.
- (3) The report is to:
 - (a) be based on external reporting standards; and
 - (b) identify, in general terms, the external reporting standards on which it is based and any ways in which the report departs from those standards.
- (4) The report does not have to include information that the Treasurer considers should not be included because:
 - (a) it is confidential commercial information; or
 - (b) its disclosure in the report could prejudice national security.

13 Commonwealth bodies to provide information to help prepare report

- (1) To help the Treasurer to prepare a budget economic and fiscal outlook report, the Treasurer may request a Commonwealth body to provide information.
- (2) A Commonwealth body is to comply with a request in time to allow the information to be taken into account in the preparation of the report, unless it is not practicable for the body to do so. The body does not have to provide information if doing so would contravene another law of the Commonwealth.

Division 2—Mid-year economic and fiscal outlook report

14 Public release and tabling of mid-year economic and fiscal outlook reports

- (1) The Treasurer is to publicly release and table a mid-year economic and fiscal outlook report by the end of January in each year, or within 6 months after the last budget, whichever is later.
- (2) If:
 - (a) a mid-year economic and fiscal outlook report is publicly released by the end of the period specified in subclause (1); but
 - (b) a House of the Parliament is not sitting when the report is released;the report does not have to be tabled in that House until it next sits (or as soon as practicable after then), even if that is after the end of the specified period.

15 Purpose of mid-year economic and fiscal outlook reports

The purpose of mid-year economic and fiscal outlook reports is to provide updated information to allow the assessment of the Government's fiscal performance against the fiscal strategy set out in its current fiscal strategy statement.

16 Contents of mid-year economic and fiscal outlook report

- (1) A mid-year economic and fiscal outlook report is to:
 - (a) update key information contained in the most recent budget economic and fiscal outlook report (the *budget report*); and
 - (b) contain a detailed statement of tax expenditures, presenting disaggregated information on tax expenditures.
- (2) The information in the report is to take into account, to the fullest extent possible, all Government decisions and all other

Clause 17

circumstances that may have a material effect on the fiscal and economic outlook.

- (3) The report is to:
 - (a) be based on external reporting standards; and
 - (b) identify, in general terms, the external reporting standards on which it is based and any ways in which the report departs from those standards.
- (4) If particular information required to be included in the report is unchanged from information set out in full in the budget report, the report may instead summarise the information and state that it is unchanged from what was set out in the budget report.
- (5) The report does not have to include information that the Treasurer considers should not be included because:
 - (a) it is confidential commercial information; or
 - (b) its disclosure in the report could prejudice national security.

17 Commonwealth bodies to provide information to help prepare report

- (1) To help the Treasurer to prepare a mid-year economic and fiscal outlook report, the Treasurer may request a Commonwealth body to provide information.
- (2) A Commonwealth body is to comply with a request in time to allow the information to be taken into account in the preparation of the report, unless it is not practicable for the body to do so. The body does not have to provide information if doing so would contravene another law of the Commonwealth.

Division 3—Final budget outcome report

18 Public release and tabling of final budget outcome reports

- (1) The Treasurer is to publicly release and table a final budget outcome report for each financial year no later than 3 months after the end of the financial year.
- (2) If:
 - (a) a final budget outcome report is publicly released within 3 months after the end of the financial year; but
 - (b) a House of the Parliament is not sitting when the report is released;
the report does not have to be tabled in that House until it next sits (or as soon as practicable after then), even if that is after the end of that 3 months.
- (3) The final budget outcome report for a financial year may be incorporated in the budget economic and fiscal outlook report for the next financial year if the next financial year's budget is brought down after the start of that year.

19 Contents of final budget outcome report

- (1) A final budget outcome report is to contain Commonwealth budget sector and Commonwealth general government sector fiscal outcomes for the financial year.
- (2) The report is to:
 - (a) be based on external reporting standards; and
 - (b) identify, in general terms, the external reporting standards on which it is based and any ways in which the report departs from those standards.

Part 6—Intergenerational report

20 Public release and tabling of intergenerational reports

- (1) The Treasurer is to publicly release and table intergenerational reports as follows:
 - (a) the first intergenerational report is to be publicly released and tabled within 5 years after the commencement of this Act;
 - (b) subsequent intergenerational reports are to be publicly released and tabled within 5 years of the public release of the preceding report.
- (2) If:
 - (a) an intergenerational report is publicly released within the period specified in subclause (1); but
 - (b) a House of the Parliament is not sitting when the report is released;the report does not have to be tabled in that House until it next sits (or as soon as practicable after then), even if that is after the end of the specified period.

21 Contents of intergenerational report

An intergenerational report is to assess the long term sustainability of current Government policies over the 40 years following the release of the report, including by taking account of the financial implications of demographic change.

Part 7—Pre-election economic and fiscal outlook report

22 Public release of pre-election economic and fiscal outlook report

The responsible Secretaries are, jointly, to publicly release a pre-election economic and fiscal outlook report within 10 days of the issue of the writ for a general election.

23 Purpose of pre-election economic and fiscal outlook reports

The purpose of pre-election economic and fiscal outlook reports is to provide updated information on the economic and fiscal outlook.

24 Contents of pre-election economic and fiscal outlook report— economic and fiscal information

- (1) A pre-election economic and fiscal outlook report is to contain the following information:
 - (a) updated Commonwealth budget sector and Commonwealth general government sector fiscal estimates for the current financial year and the following 3 financial years;
 - (b) the economic and other assumptions for the current financial year and the following 3 financial years that have been used in preparing those updated fiscal estimates;
 - (c) discussion as to the sensitivity of those updated fiscal estimates to changes in those economic and other assumptions;
 - (d) an updated statement of the risks, quantified where feasible, that may have a material effect on the fiscal outlook, including:
 - (i) contingent liabilities; and

Clause 25

- (ii) publicly announced Government commitments that are not yet included in the fiscal estimates referred to in paragraph (a); and
 - (iii) Government negotiations that have yet to be finalised.
- (2) The information in the report is to take into account, to the fullest extent possible, all Government decisions, and all other circumstances, that:
 - (a) may have a material effect on the fiscal and economic outlook; and
 - (b) were made, or were in existence, before the issue of the writ for the general election.
- (3) The report is to:
 - (a) be based on external reporting standards; and
 - (b) identify, in general terms, the external reporting standards on which it is based and any ways in which the report departs from those standards.
- (4) If particular information required to be included in the report is unchanged from information set out in full in an earlier budget economic and fiscal outlook report or mid-year economic and fiscal outlook report, the report may instead summarise the information and state that it is unchanged from what was set out in the earlier report.
- (5) The report does not have to include information that the responsible Secretaries consider should not be included because:
 - (a) it is confidential commercial information; or
 - (b) its disclosure in the report could prejudice national security.

**25 Contents of pre-election economic and fiscal outlook report—
statements by responsible Ministers and responsible
Secretaries**

A pre-election economic and fiscal outlook report is to contain the following signed statements:

- (a) a statement, signed by the responsible Ministers, to the effect that the disclosure requirements of clause 27 have been complied with;
- (b) a statement signed by the Secretary to the Department of the Treasury to the effect that, to the fullest extent possible, the information in the report for which the Secretary is responsible:
 - (i) reflects the best professional judgment of officers of that Department; and
 - (ii) takes into account all economic and fiscal information available; and
 - (iii) incorporates the fiscal implications of Government decisions and circumstances disclosed by the responsible Ministers;
- (c) a statement signed by the Secretary to the Department of Finance to the effect that, to the fullest extent possible, the information in the report for which the Secretary is responsible:
 - (i) reflects the best professional judgment of officers of that Department; and
 - (ii) takes into account all economic information provided by the Department of the Treasury and all fiscal information available; and
 - (iii) incorporates the fiscal implications of Government decisions and circumstances disclosed by the responsible Ministers.

26 Division of responsibility between responsible Secretaries

In preparing a pre-election fiscal and economic outlook report:

- (a) the Secretary to the Department of the Treasury is responsible for:
 - (i) revenue estimates included in the fiscal estimates required by paragraph 24(1)(a); and
 - (ii) the information required by paragraph 24(1)(b); and

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- (iii) the information required by paragraph 24(1)(c), so far as it relates to the revenue estimates; and
 - (iv) the information required by paragraph 24(1)(d); and
 - (v) the information required by paragraph 24(1)(e), so far as it relates to risks to revenue or tax expenditures; and
- (b) the Secretary to the Department of Finance is responsible for:
- (i) outlays or expenses estimates included in the fiscal estimates required by paragraph 24(1)(a); and
 - (ii) the information required by paragraph 24(1)(c), so far as it relates to the outlays or expenses estimates; and
 - (iii) the information required by paragraph 24(1)(e), so far as it relates to risks to outlays or expenses.

27 Responsible Minister to provide information to help prepare report

- (1) To help the responsible Secretaries to prepare a pre-election economic and fiscal outlook report, each of the responsible Ministers is to disclose to either or both of the responsible Secretaries details of any Government decision, or any other circumstance, that the Minister knows about:
 - (a) that has, or could have, material fiscal or economic implications; and
 - (b) that neither of the responsible Secretaries could reasonably be expected to know about.
- (2) Disclosures are to be made within 2 days of the issue of the writ for the general election.

28 Commonwealth bodies to provide information to help prepare report

- (1) To help a responsible Secretary to prepare aspects of a pre-election economic and fiscal outlook report for which he or she is responsible, he or she may request a Commonwealth body to provide information.

- (2) A Commonwealth body is to comply with a request in time to allow the information to be taken into account in the preparation of the report, unless it is not practicable for the body to do so. The body does not have to provide information if doing so would contravene another law of the Commonwealth.

Part 8—Costing of election commitments

29 Requests for costing of election commitments

- (1) During the caretaker period for a general election:
 - (a) the Prime Minister may request the responsible Secretaries to prepare costings of publicly announced Government policies; and
 - (b) the Leader of the Opposition may, subject to subclause (4), request the responsible Secretaries to prepare costings of publicly announced Opposition policies.
- (2) A request is to:
 - (a) be in writing; and
 - (b) outline fully the policy to be costed, giving relevant details; and
 - (c) state the purpose or intention of the policy.
- (3) A request by the Prime Minister is to be given to the responsible Secretaries.
- (4) A request by the Leader of the Opposition is to be given to the Prime Minister, who may then agree to refer it to the responsible Secretaries. The responsible Secretaries are not obliged or authorised to take any action in relation to the request unless the Prime Minister has referred the request to them.
- (5) The Prime Minister or the Leader of the Opposition may, at any time, withdraw a request that he or she has made. A withdrawal by the Prime Minister is to be by notice in writing given to the responsible Secretaries. A withdrawal by the Leader of the Opposition is to be by notice in writing given to the Prime Minister, who is to notify the responsible Secretaries of the withdrawal.

30 How policy costings are to be prepared

- (1) The responsible Secretaries may, jointly, issue written guidelines recommending approaches or methods to be used in the preparation of policy costings.
- (2) In preparing policy costings:
 - (a) the Secretary to the Department of the Treasury is responsible for costing aspects of policies affecting revenue; and
 - (b) the Secretary to the Department of Finance is responsible for costing aspects of policies that affect government outlays and expenses.
- (3) If a responsible Secretary needs more information to cost aspects of a policy, he or she is, in writing, to ask the Prime Minister or the Leader of the Opposition (as the case requires) for that information.

31 Public release of policy costings

- (1) As soon as practicable after a policy costing request has been made and before polling day for the election, either or both of the responsible Secretaries are to publicly release a costing of the policy.

Note 1: Whether a costing has to be released by either or both of the responsible Secretaries depends on the division of responsibilities set out in subclause 30(2).

Note 2: The obligation in this subclause does not apply to a request that has been withdrawn under subclause 29(4).
- (2) If a responsible Secretary does not have sufficient information, or has not had sufficient time, to prepare and publicly release a policy costing before polling day for the election, the Secretary is to publicly release a statement to that effect before that day.
- (3) A responsible Secretary is not obliged or authorised to take any further action in relation to a policy costing request on or after polling day for the election.

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32 Commonwealth bodies to provide information to help prepare report

- (1) To help a responsible Secretary to prepare aspects of a policy costing for which he or she is responsible, he or she may request a Commonwealth body to provide information.
- (2) A Commonwealth body is to comply with a request in time to allow the information to be taken into account in the preparation of the policy costing, unless it is not practicable for the body to do so. The body does not have to provide information if doing so would contravene another law of the Commonwealth.

*[Minister's second reading speech made in—
House of Representatives on 5 December 1997
Senate on 9 March 1998]*

(250/97)

