

# Recommendations

## Recommendation 1

**8.5** The committee recommends that each state and territory government enact a Charter of Budget Honesty.

## Recommendation 2

**8.10** The committee recommends that each state and territory government adopt principles to govern financial reporting in its Charter of Budget Honesty, including requirements that financial reporting:

- be fully consistent with all relevant financial reporting standards;
- enable improved transparency and parliamentary and external scrutiny, of a state's progress towards achieving its fiscal objectives;
- forecast, as accurately as possible, future levels of government revenue and expenditure; and
- include provision that specifically prevents the state government from using misleading accounting practices.

## Recommendation 3

**8.14** The committee recommends that each state and territory government adopt principles to govern fiscal policy formulation in its Charter of Budget Honesty including requirements that fiscal policies:

- prudently manage financial risks including levels of government debt;
- contribute to dampening cyclical fluctuations in economic activity;
- contribute to the achievement of adequate state-wide saving;
- pursue spending and taxing arrangements that are consistent with a reasonable degree of stability and predictability;
- maintain the integrity of the tax system; and
- ensure that policy decisions have regard to their financial effects on future generations.

## Recommendation 4

**8.19** The committee recommends that each state and territory government adopt principles governing its relationship with Government Business Enterprises (GBEs) in its Charter of Budget Honesty including requirements that:

### Dividend payments:

- be an appropriate return on the community's investment;
- allow GBEs to operate on a commercially sustainable basis; and
- allow GBEs the ability to make ongoing investment in infrastructure.

## **Governments:**

- **justify the dividend payout ratios they require from individual GBEs;**
- **publicise in advance a dividend payout ratio range for each GBE for the Budget year and forward estimates period and explain any actual deviations; and**
- **must fully cost, and fully fund out of General Government Sector revenue, Community Service Obligations and publicise these funding commitments.**

## **Recommendation 5**

**8.24 The committee recommends that each state and territory government adopt principles governing its infrastructure investment policies in its Charter of Budget Honesty, including requirements that infrastructure investment policies:**

- **Enunciate a strategic management framework for infrastructure projects including criteria for project timing, quality and management; and**
- **Enunciate conditions for the use of Public-Private Partnerships.**

## **Recommendation 6**

**8.28 The Committee recommends that the Commonwealth Government should require all states to abolish inefficient state taxes covered by the Intergovernmental Agreement on the reform of Commonwealth-State Financial Relations. Furthermore the states should agree to, and abide by, a timetable to abolish stamp duty on conveyances of real non-residential property.**

## **Recommendation 7**

**8.30 The Committee recommends that the Commonwealth Government appoint a special taskforce, to examine the feasibility of options to reduce Commonwealth income taxation, and introduce state and territory income taxes, so that the states and territories are less reliant upon the Commonwealth Government for funding.**

**8.31 The Committee recommends that in developing detailed options for a system of state and territory income taxes, the taskforce should be required to have regard to how the following objectives can be maintained, or obtained:**

- **reducing Commonwealth payments to the states and territories, which could be offset through each state/territory's income taxation system;**
- **ensuring that a system of state income taxation is simple to administer, preferably as part of the collection of income tax by the Commonwealth;**
- **ensuring that states and territories are accountable to their constituents for their own spending and management of services;**
- **promoting real competition between the states and territories to be the lowest taxing jurisdiction; and**
- **ensuring that the tax burden in the initial years does not increase.**

**8.32 The Committee recommends that the taskforce be required to provide its report to COAG, for detailed consideration.**

## **Recommendation 8**

**8.34** The Committee recommends that the Council of Australian Governments carefully consider the costs and benefits of input controls compared to output controls in the development of Specific Purpose Payments.

## **Recommendation 9**

**8.36** The Committee recommends that the Australian National Audit Office undertake a performance audit in 2008–09 into the development and implementation of the new federal financial framework.

## **Recommendation 10**

**8.38** The committee recommends that the Commonwealth Government consider mechanisms to enhance and strengthen the powers of the Australian Loan Council to scrutinise excessive growth in state debt.

## **Recommendation 11**

**8.40** The committee recommends that the Australian Government impose more stringent requirements on state governments having regard to the identification of Commonwealth funds flowing through states to local government.

## **Recommendation 12**

**8.42** The committee recommends that the Commonwealth Government reform Australia's relationship with Norfolk Island with a view to assisting improved governance, health, aged care, education and other issues reported to exist on the Island, drawing on information from the 2006 Cabinet submission process and the recent work of the Parliamentary Joint Standing Committee on the National Capital and External Territories.

## **Recommendation 13**

**8.43** The committee, whilst acknowledging government evidence of some improvements, recommends that the Government of Norfolk Island implement measures to improve the level of financial and management transparency of Government Business Enterprises.

