

Issue Paper #4

**Openness and Consultation
in the
Budget and Reporting Processes**

The Budget Process Review Panel

**An independent panel appointed to recommend improvements
to the budgeting and financial management
of the Province of British Columbia**

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Issue

There has been a long tradition of budget secrecy in the Westminster model of parliamentary democracy. The motivation for budget secrecy is to prevent budget measures, especially revenue measures, from being undermined by people taking action in advance of a change taking effect. For example, if the sales tax is going to rise or fall and people know that in advance they will have an incentive to either accelerate or delay purchases to minimize tax.

Distortions in economic activity such as that are undesirable, so governments try to keep such decisions secret until they take effect. Most (but not all) such decisions are taken as part of the budget and announced on budget day.

While that is a valid reason for secrecy of a few key decisions, the argument does not apply to most of the decisions made in the budget process and announced on budget day. That fact has become increasingly well recognized over the past one or two decades and the level of budget secrecy has been significantly reduced in most jurisdictions.

Budget themes and specific proposed budget measures are often announced and discussed in public well in advance of the budget release. Input is sought privately by government from interested parties on what budget measures they believe government should introduce. Some

jurisdictions have gone further and proactively seek public input during the budget development process.

Processes for holding government accountable (primarily the Estimates Debate) are, by their very nature, public processes. In fact, government can only be held accountable if it is done in public.

The issues are,

- Are the current mechanisms for public participation in both the budget process and the reporting process sufficient?
- If not, what type of mechanism(s) should be put in place related to the budget process?
- What type of mechanism(s) should be put in place related to the reporting process?

Suggested Reading

This issue is discussed in Chapter 2 of the Auditor General's report and in the report of the Public Accounts Committee on accountability for results.^[1] See also the description of the Alberta Round Table process in the Certified General Accountants Association of British Columbia (CGA-BC) presentation.

Terms of Reference and OAG Recommendations

The sections of the Terms of Reference that specifically apply to this issue are:

Specifically the panel will be asked for advice on:

- B. Means and opportunities for members of the public and the Legislative Assembly to provide input into the budget process.
- C. Means and opportunities for members of the public and the Legislative Assembly to review the actual results flowing from budgets.

The relevant recommendations in the Auditor General's report are:

2.9 The government facilitate continuous and orderly public participation in, and scrutiny of, the Estimates process. The Estimates process should provide the public, interest groups and the Legislative Assembly with sufficient and timely pre-budget opportunities to review and discuss fiscal policies, responsibility for program delivery, fiscal and program performance, assumptions used in formulating the Estimates, and the nature of future fiscal risks.

Discussion

What is Currently Done in British Columbia?

In terms of the pre-budget process, the Minister of Finance and Corporate Relations has made a practice of holding pre-budget consultations for at least the past decade. The specific form of these consultations has varied from year to year but it has usually included a tour of the Province by the Minister, accompanied by staff, with meetings held in all regions of the Province. The degree to which these meetings are public has varied over time.

In addition, the major interest groups including numerous business associations, labour groups and groups representing social, environmental and other interests have been given an opportunity to provide input, at least to senior officials and sometimes to the Minister. Depending on the issue, interest groups may provide input to the Minister of Finance and Corporate Relations or the minister responsible for their area of interest. This input is primarily provided in private. Input can also be provided in the form of correspondence from the general public and advice provided to the government through public forums such as op-ed columns in newspapers and meetings like the BC Business Summit.

In terms of post-budget, the Estimates Debate is the primary mechanism for public discussion of the budget and for applying accountability for results. In addition, the Public Accounts Committee (PAC) annually reviews the Public Accounts and all reports of the Auditor General to the Legislature are referred to the Committee for debate.

Both the Estimates Debate and PAC discussions are held in public. The Estimates Debate is usually conducted by two committees operating simultaneously, Committee A sitting in the Legislature and Committee B sitting in a committee room. Only Committee A is televised. In Committee A only Members of the Legislative Assembly may speak but in Committee B senior officials may also be invited to speak on technical and administrative matters.

The PAC has the ability to hear from speakers other than Members of the Legislative Assembly, if they choose. Officials from the Office of the Auditor General and the Ministry of Finance and Corporate Relations (Office of the Comptroller General, Treasury Board Staff and others) frequently appear, as do other invited guests. The PAC could hold public hearings if it chose.

Pre-Budget Consultations in Other Jurisdictions

There are undoubtedly many models of pre-budget consultation but two Canadian approaches are particularly relevant, Alberta and the Federal government.

In Alberta, government backbenchers tour the Province and hold public pre-budget consultations. The results of these consultations are provided to government as input into the budget building process. In addition, the Round Table process (described in the CGA-BC submission) is used to seek consensus on major public policy issues. Although not part of the budget process *per se*, such formal consultation mechanisms for major policy initiatives may have an impact on overall government credibility and help to reduce the number of budget day surprises.

For the federal government the Finance Committee, which is a standing committee of the House of Commons, holds annual pre-budget consultations. They invite interested parties to make presentations to the Committee, which then makes recommendations to the Minister of Finance. In addition, the Ministry of Finance (and other ministries) also hold private consultations with interested parties, including provincial finance ministries.

In both cases, the public pre-budget input garnered by these consultation processes primarily comes from interest groups. The advantage, from the perspective of the interest groups is that they have a chance to put their case in a public forum and potentially gain public support for their issues. In addition, by making their presentations in public the interest groups know that someone has heard them.

Issues with Public Pre-budget Consultations

Two criticisms are sometimes raised about this type of process. The first is that they are not very effective at really getting input from the general public. That may be the case but just hearing from interest groups may not necessarily be bad. By providing a forum for influencing public opinion and raising issues in the public consciousness, the processes may play a useful role. The processes may also be useful in motivating interest groups to look beyond their own interests to the broader public interest because of the public nature of the forums.

It should be noted that, while it is difficult to get a sense of the views of disinterested members of the public (the so-called silent majority) in public forums, government has other mechanisms, such as polling that it can and does use to gather insight into public sentiments. Under the freedom of information legislation, this information is publicly available.

The other criticism is that these forums provide no guarantee that the government will take any action based on the input. However, consistent with the Panel's government responsibility principle, government is elected to govern and they must decide what actions to take and not to take. Inevitably, whatever government does or does not do will be criticised by those who would prefer something different. It is the nature of the system that input and advice will not always (or even usually) have an impact on the final result.

That is frustrating for those advocating a certain outcome. However, by placing the debate and discussion of public policy issue in a more public forum it becomes possible for the public to better understand what the issues are and how government's actions relate to the positions and interests of the various parties.

In other words, it may not matter to what extent government actually uses the input provided in these public forums in its decision-making. The very fact that the input has been made publicly contributes to transparency in government decision-making.

Some would still be reluctant to give interested groups yet another soapbox from which to make their case when they already usually have several ways of getting government's attention already. Two ideas have been suggested to improve any public pre-budget consultation.

The first is that government should show leadership by first tabling a proposed strategy that

identifies what government believes are the significant issues and provides some background information to focus and inform the discussion. That will not stop interested parties from bringing their own issues to the table but it will provide the committee conducting the consultations with the basis to question those giving input about the issues at hand. It will also provide government with a vehicle to foreshadow and test possible budget themes and initiatives, reducing the focus on budget day.

The second is that any such consultations should be structured more as dialogues than as monologues. The idea would be to get competing interests around the table to at least demonstrate the diversity of views on an issue and the trade-offs that are part of every government policy decision. At best, such round-table type discussions can also build support for course of action – sometimes maybe even consensus.

If pre-budget consultations are held by a committee of the Legislature, that raises the issue of who should staff that committee. One option might be to use Treasury Board Staff. However, that would put a strain on resources at a time when the internal budget process is intensive. In addition, there is an argument for keeping the pre-budget consultation process separate from the internal process so that it can provide some independent advice to the Minister of Finance and Corporate Relations. Thus, it seems likely that the committee(s) undertaking pre-budget consultation would require some additional resources.

PAC Recommendations

Appendix 4-A of this Issue Paper presents a summary of recommendations from the Second Report of the PAC for the fourth session of the Thirty-fifth Parliament of the British Columbia Legislative Assembly, January 31, 1996. That report also states:

Accountability is not served simply because information is reported to the Legislative Assembly. If the Assembly is to assess the performance of government, it must inform itself about what government intends to achieve and what it actually achieves. ... We would like to see, as a way of improving accountability and increasing the power of the Legislative Assembly, fundamental reforms to the way legislative committees currently operate.

Recommendations #5 to #10 in Appendix 4-A set out the nature of the reforms the PAC has recommended. The result of implementing these recommendations would be a system of sectoral legislative committees that would be responsible for conducting what is now the Estimates Debate together with review of business plans, annual reports and other accountability documents for the public bodies within their sectors. The committees would be appointed for the entire life of the Parliament (i.e. the entire time between elections) and would be able to meet when the House is not in session. Any Member of the legislative Assembly would have standing to appear and participate in the debates of the committees.

These changes would result in a significant change in how the Legislative Assembly operates, consistent with the way Standing Committees are used in many other jurisdictions. It would mark a change from being a part-time Legislature, sitting as it currently does from March to

July or so most years, into a Legislature that operates year-round, at least through its committees.

Summary of Consultations

External Input

Several of the submissions received to date have commented on this issue:

- The CGA-BC submission notes frustration with the lack of results of current pre-budget consultations and calls for a “meaningful and measurable public process.”
- The College Institute Educators’ Association of B.C. called for a committee of elected officials to undertake public pre-budget consultations.
- The Insurance Bureau of Canada called for enhanced consultation about proposed tax changes.
- The Legislative Press Gallery suggested there is a need for a “much greater degree of openness and public disclosure around the budget process.”
- “The Chartered Accountants of B.C. recommend that the Government of B.C. commit to a more transparent process, including greater stakeholder input, and more complete information.”

Immediate Public Sector Input

In interviews with officials in the immediate public sector, several different viewpoints were expressed. On the issue of pre-budget consultation, comments included:

- A public pre-budget consultation would provide valid input, increase transparency and reduce the partisan nature of the budget debate.
- Public pre-budget consultation would just provide yet another platform for special interest groups, who already have lots of platforms and ability to get their message across. It would not add anything useful to the information already available to the decision-makers.
- Public pre-budget consultation together with early indications of the government’s major policy directions provide an opportunity to ask interest groups the hard questions and reduce controversy when the policy is actually introduced.
- A formal, scheduled process gives the impression that there is a rational, measured process, adding credibility to the final result.
- Pre-budget consultations would add cost and time to the budget process with little benefit.
- So long as the process does not paralyse the internal budget development process, a public forum could be useful in ensuring that all groups have an equal opportunity for input and would enhance transparency.

- What makes the current process closed is the lack of information provided in the budget documents about assumptions, intentions and expected results. The best way to make the budget more transparent is better disclosure of information.
- There should be a statement of government strategy, at least as part of the first budget after an election. That should, as well as outlining the government's strategic direction, indicate the parameters for government consultation on major initiatives.

Regarding the process for the review of results, the following opinions were expressed:

- the current process (PAC review) is sufficient;
- the review of results should be part of an ongoing process of review by Standing Committees of the Legislature that includes pre-budget consultation, review of business plans and review of results (Annual Reports).

Options

Budget Process

1. Status Quo – the current level and style of pre-budget consultation would be continued, suggesting that there is already sufficient public consultation.
2. Standing Committee Conducts Consultation – a standing committee (or committees) of the Legislature conduct public pre-budget consultations. That would likely involve regional public meetings with an opportunity for interested parties, both interest groups and members of the public to make representations. The consultations would be based on a government strategic-level consultation document. Efforts would be made to have an exchange of views among interest groups with competing interests to define tradeoffs and seek support for a specific course of action. The results would be conveyed to government (the Minister of Finance and Corporate Relations) as input to the budget process.
3. Improved Disclosure – more complete disclosure in budget documents of revenue and expenditure assumptions as well as the intentions and expected results of budget measures (See Issue Paper #7).

Reporting Process

1. Status Quo – The PAC would continue to annually review the Public Accounts and reports made by the Auditor General. Annual reports and other documents would get little scrutiny by the Legislative Assembly.
2. Reformed Legislative Committee Structure – The recommendations of the PAC would be adopted, resulting in sectoral standing committees responsible for the Estimates Debate along with review of business plans, annual reports and other accountability documents for public bodies within their sector. Would provide an opportunity for public input and could be the vehicle for pre-budget public consultation

as an integral part of an ongoing process. The PAC would continue to have its current mandate.

Appendix 4-A - Summary of Recommendations from the Second Report of the Select Standing Committee on Public Accounts, January 31, 1996

RECOMMENDATION #1

Your Committee supports the initiatives of the Auditor General and Council of Deputy Ministers with respect to enhancing accountability and recommends that the Government of the Province of British Columbia publicly provide, on a timely basis:

- a. information about the short and long-term plans and goals of government ministries and Crown Corporations including their respective programs and past performance; and
- b. information about the results achieved, allowing comparison between the actual and planned performance of government ministries and Crown corporations.

RECOMMENDATION #2

Your Committee recommends that the Government of the Province of British Columbia consider how best to make use of emerging technologies to make accountability information accessible to the public at a reasonable cost.

RECOMMENDATION #3

Your Committee recommends that the Government of British Columbia pursue ways of providing information on a sectoral basis.

RECOMMENDATION #4

Your Committee recommends that the Government of British Columbia consider how it could best provide information to users of government programs and services with respect to the standards of service it intends to deliver.

RECOMMENDATION #5

Your Committee recommends that the number of Select Standing Committees be realigned to provide for a Committee on Public Accounts; Standing Orders, Privileges and Private Bills; and such other Committees deemed appropriate to consider Government Ministry and Crown Corporation programs by sector.

RECOMMENDATION #6

Your Committee recommends that the new sectoral Committees of the Legislative Assembly be used consistently and with an expanded terms of reference enabling a more thorough review of matters referred to them.

RECOMMENDATION #7

Your Committee recommends that the Select Standing Committees of the House be established for the duration of a Parliament with the ability to meet

intersessionally and that all Members of the Legislative Assembly should have the opportunity to attend any meeting of any Select Standing Committee examining a Ministry or Crown Corporation Program and, in consultation with the Chairperson, be permitted time to enter debate on the issue(s) under discussion.

RECOMMENDATION #8

Your Committee recommends that the short and long-term plans and annual reports of government ministries and Crown Corporations, once tabled in the House, stand referred to the appropriate legislative committee.

RECOMMENDATION #9

Your Committee recommends that the Legislative Assembly review the entire the Estimates process, including proposals to replace the current practice with one which is more responsive, accountable and expeditious and incorporating multi-year budgets and single-year appropriations.

RECOMMENDATION #10

Your Committee recommends that the Standing Orders of the Legislative Assembly and relevant Statutes of British Columbia be amended to reflect the proposed new practice:

- a. Minister presents Budget for upcoming fiscal year to the Legislative Assembly and moves a motion to adopt the Budget,
- b. House debates Budget for enough days to accommodate those Members wishing to speak (House meets only in the afternoons, Monday to Thursday and Friday morning),
- c. At the conclusion of the Debate on the Budget a motion is put to adopt the Governments spending proposals,
- d. The Minister of Finance and Corporate Relations immediately introduces the Appropriation Bill for the fiscal year in question and pursuant to the revised Standing Orders, the Bill proceeds through the House expeditiously,
- e. Pursuant to revised Standing Orders the Government House Leader moves a motion referring a number of Government Ministry and Crown Corporation programs to their respective sectoral Select Standing Committees,
- f. Committees meet Tuesday to Thursday mornings while the House is in session and schedule their intersessional meetings around the resources available to expedite their inquiry,
- g. All MLAs have the opportunity to question witnesses by reserving time on specific issues under consideration by the Committee,
- h. Committee inquiries are pursued according to established practice and precedent in the Legislative Assembly of British Columbia, the details of all such procedural changes to be considered first by a

Legislative Committee.

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- [1] Select Standing Committee on Public Accounts, Second report, Enhancing Accountability for Performance in the British Columbia Public Sector, January 31, 1996.