

THE PARLIAMENTARY BUDGET OFFICE
A NEW INSTITUTION OF THE PARLIAMENT
HOUSE BRIEFING – TUESDAY 18 SEPTEMBER 2012

I am very pleased to be able to speak with you today about the Parliamentary Budget Office (PBO) and the services that we can offer to Senators and Members. My thanks go to the Clerk of the House and his Office for inviting me to give this House Briefing. It is a very good opportunity for me to explain the work of the PBO. I hope that you find the briefing useful.

At the outset I wish to say a big thank you to all of those people in Parliament House who have been so welcoming toward the PBO. A special thank you goes to the Department of Parliamentary Services (DPS) for making available our current temporary accommodation in Parliament House, and for identifying a permanent home for us in the building. This will be very conducive to us developing close working arrangements with Senators and Members.

The PBO has been established under the Parliamentary Service Act as the fourth Parliamentary Department. I took up my appointment as the inaugural Parliamentary Budget Officer on 23 July 2012. When I commenced we were an office of two people. We are now an office of eight people. With our current budget we expect ultimately to have approximately 30-35 staff with the capacity to take on more people, if necessary, to meet surges in demand.

We are working hard to place the PBO on a fully operational footing as soon as possible. At the same time we are already open for business and accepting requests for work. That said we hope that you will be patient with us as we gear up to be fully operational.

Today I want to give you a brief overview of the role of the PBO, and how Senators and Members can make best use of the PBO's services. I propose to speak for approximately 20 minutes and then throw the floor open to questions and discussion.

The Role of the PBO

First, I should say that the PBO will not duplicate the work of Treasury or the Department of Finance. Nor does the PBO see itself in competition with Treasury or Finance. Some of our functions are similar during the caretaker period. However, the PBO has been established to provide a range of services to the Parliament that Treasury and Finance are not mandated to provide.

Second, the PBO will work to help improve the policy development process through providing analyses of the budget and fiscal policy settings, and policy costings. But the PBO does not have a policy advisory role and it will not make policy recommendations.

The role of the PBO is to inform the Parliament by providing independent and non-partisan analysis of the budget, fiscal policy and the financial implications of proposals. The PBO's functions include: preparing budget analyses and policy costings on request by Senators and Members; preparing submissions to inquiries of Parliamentary Committees; and, at its own initiative, conducting and publishing research on the budget and fiscal policy settings.

Specifically the Parliamentary Service Act gives the Parliamentary Budget Officer the following five functions:

1. outside the caretaker period for a general election, to prepare policy costings on request by Senators and Members, with the requests and the PBO's responses to be kept confidential if so directed by the requestor;
2. during the caretaker period for a general election, to prepare costings of publicly announced policies on request by authorised members of Parliamentary parties or independent members;
3. to prepare responses (other than policy costings) to requests relating to the budget by Senators and Members, with the requests and the PBO's responses to be kept confidential if so directed by the requestor;
4. to prepare submissions to inquiries of Parliamentary committees, on request by such committees, with the requests and the PBO's responses to be made publicly available; and
5. to conduct, on his or her own initiative (including in anticipation of requests), research on the budget and fiscal policy settings, with the results of this work to be made publicly available.

Implications for Senators and Members

What does all of this mean in practice for the users of the PBO's services? How do the services provided by the PBO differ from the previous arrangements? How can the work of the PBO add value and help to enhance the quality of public policy debates?

First, under the previous arrangements, policies were only able to be submitted to Treasury and Finance for costing under the provisions of the Charter of Budget Honesty Act. The Charter requires that only publicly announced policies may be costed and they may be costed only during the caretaker period. In practice this means that the costing provisions of the Charter apply to a period of approximately four to six weeks in an electoral cycle of three years. Moreover, parties with fewer than five members in the Parliament, and independent Members of Parliament have no access to Charter costings.

With the creation of the PBO all members of Parliament, for the first time, have access to independent and non-partisan budget analyses and policy costings over the entire course of the three year electoral cycle. This is a major difference, particularly for non-government members of Parliament who in the past have not had access to such services.

The second major difference in the new arrangements is that, outside the caretaker period for a general election, the PBO's services can be provided on a confidential basis if that is the

wish of the requestor. This means that the requestor can now deal confidentially with the PBO and use the process in an interactive and more measured fashion to help develop more robust policies that have been properly costed before they are publicly announced. I am not aware of any other similar institution elsewhere in the world that is able to undertake work of this nature on behalf of individual members of parliament, let alone on a confidential basis.

Third, for the first time, requestors can publicly release policies that have been costed on a confidential basis by the PBO at a time of their choosing. They are no longer bound to run the gauntlet of the Charter of Budget Honesty costing process with publicly announced policies that have not been professionally costed in advance of their public release.

Fourth, these new services are provided by an independent institution of the Parliament. The independence of the PBO is enshrined in the Parliamentary Service Act. The Parliamentary Budget Officer reports to the Presiding Officers on the operation and administration of the PBO. However, the Act provides that the Parliamentary Budget Officer is not subject to a direction by a Presiding Officer in relation to the performance of his/her functions. This means that when individual parliamentarians or political parties request the PBO to undertake work on their behalf, they can be assured that the PBO will respond to their requests in an objective fashion.

The PBO's independence is reinforced by the fact that the Parliamentary Budget Officer is appointed by the Presiding Officers, following the approval of the Joint Committee of Public Accounts and Audit (JCPAA), for a term of four years. There are also stringent requirements that must be met, including a vote in each House of the Parliament, before the Parliamentary Budget Officer may be removed from office.

In essence, the independence of the Parliamentary Budget Officer is subject to similar protections to those that apply to the independence of the Auditor-General.

The establishment of the PBO as an independent institution of the Parliament provides Senators and Members with enhanced access to confidential budget analyses and policy costings, and gives policy formulators the opportunity to release their policies at a time that best suits them. These new arrangements have the potential to provide Senators and Members with a more level playing field from which to access budget information and policy costings. If used effectively, these arrangements can help to improve the integrity of the policy development process, better inform public policy debates, and strengthen budget transparency.

Accessing the PBO's Services

The PBO is located right here in Parliament House and we are very easy to get in contact with. We have a page on the APH web-site and we are listed in the APH Occupants Directory. A copy of my talk today will be posted on our web-site.

I recently circulated by email a Summary Guide to Policy Costings – Procedures, Information Requirements and Methodology. This guide is also available on our web-site. It provides an overview of the costing process and includes a pro-forma for use in submitting requests for

policy costings outside the caretaker period. From time to time we will update this guidance to take into account practical issues that may arise from our interactions with our stakeholders.

Formal guidelines and processes are important. However, I strongly suggest that before formally submitting a request to us, whether for a costing or a budget analysis, you contact us and talk through the issue. This will help to ensure that the request is adequately explained and the necessary supporting material is provided to enable the PBO to undertake its work in a timely fashion. If you wish the request and the PBO's response to be kept confidential, it is important to make that clear to us from the outset. We will then take all reasonable steps to ensure that the request, the interactions between the requestor and the PBO and our response are kept strictly confidential.

We are also happy to engage with you during the preparation of our response. We may initiate discussions to clarify issues or to seek additional information. You too may wish to contact us if you become aware of any additional information that could have a material bearing on the work that you have requested the PBO to undertake.

While the formalities of the process must be respected and properly documented, and the costings will ultimately reflect the best professional judgement of the PBO, there is considerable scope for the process to be an interactive one.

The PBO's Access to Information

From time to time the PBO will need to seek information from other Commonwealth departments and agencies to use in its costings and budget analyses.

A Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in relation to the Provision of Information and Documents is near finalisation. When it is finalised this MOU will be made publicly available.

The MOU will have a pro-disclosure bias. It will also place strict obligations on the Parliamentary Budget Officer and the Heads of Commonwealth bodies to protect the confidentiality of requests that are made in confidence, and the information that is provided in confidence in response to such requests.

PBO Work Plan

Under the Parliamentary Service Act the Parliamentary Budget Officer is required to prepare an annual work plan in consultation with the JCPAA. The PBO's first work plan must be finalized before 23 October 2012. It will then be made publicly available.

Self-initiated Work Program

The PBO's work plan will cover a range of issues including how the Office will go about developing its self-initiated work program. This program will provide an avenue for the PBO to help to improve budget transparency and contribute to a better understanding of the budget and fiscal policy settings.

In determining what issues to include in its self-initiated work program the PBO will, as provided for by the Act, seek to anticipate requests for work to be undertaken, including by Parliamentary Committees.

The PBO will also seek to throw more light on the underlying structure of the budget and factors that could affect the sustainability of the budget over the medium to longer term. The PBO will do this by analysing trends in key components of the budget and examining areas of the budget that are not regularly reviewed by the Parliament, such as special appropriations, and tax expenditures.

Communication with Senators and Members

Early consultations have been held with a number of our key Parliamentary stakeholders, with more to follow. It will be essential for the PBO to maintain an ongoing dialogue with the Parliament through effective channels of communication.

The PBO will do this by having an open door policy and being readily accessible to its stakeholders. Opportunities will also be taken to provide briefings to interested parties, including Parliamentary Committees. The PBO will also establish other regular forms of communications with Senators and Members.

Assessing the PBO's Performance

The PBO's performance will be judged by the quality, timeliness and relevance of its work as assessed by feedback from its Parliamentary stakeholders.

The ultimate test of our performance will be the extent to which stakeholders value our contribution to their policy development processes and return to us with repeat business. We will be working hard to ensure that we meet the expectations of our stakeholders on an ongoing basis.

Q & A

With these comments I am happy to open the floor to questions and comments.