



Parliamentary
Budget Office

10 January 2020

Submission to the Joint Committee of Public Accounts and Audit inquiry into the operations of the Parliamentary Budget Office

This submission addresses each of the parts of the Terms of Reference for the review: the Parliamentary Budget Office's (PBO's) implementation of the recommendations from previous reviews, stakeholder relationships and engagement, and possible areas of reform to support the effective operation of the PBO.

The PBO welcomes scrutiny of its performance and has agreed with, and implemented, all of the recommendations arising from previous reviews where it is the implementing agency.

The PBO's acceptance and implementation of these recommendations has improved our ability to perform our day-to-day functions and fulfil the mandate Parliament has given us. While the PBO is pleased to have implemented all of the recommendations identified so far, we are working to improve further in each of the broad areas identified by these reviews.

The PBO uses a range of methods to monitor its performance. Over the three-year period since the most recent review, a range of indicators suggest that our services continue to be relevant and valued by parliamentarians and the general public. Since the start of 2016–17, the PBO has:

- completed more than 6,460 policy costings for parliamentarians with a median response time of 13 days
- published more than 25 reports to inform Parliament and the public about fiscal policy and the budget, all of which were reported in major media outlets. In 2018–19, ten of our reports had each been downloaded at least 1,000 times in that year
- published the 2019 post-election report of election commitments, with new features including medium-term costing minutes and searchable online costings
- received formal and informal feedback from parliamentarians, government agencies and other stakeholders that our work is valued and our interactions are professional.

Context

The PBO was established in 2012 as an independent statutory agency under section 64A of the *Parliamentary Service Act 1999*. The purpose of the PBO is to inform the Parliament by providing independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of policy proposals. Our purpose comprises three main elements, which are to:

- assist parliamentarians by providing policy costing and budget analysis services
- improve public understanding of budget and fiscal policy issues by conducting and publishing research in these areas
- enhance transparency around election commitments by publishing a report on the budget impacts of the election commitments of parliamentary parties after every general election.

The PBO is one of around forty independent fiscal institutions operating in different countries, such as the Congressional Budget Office (United States of America) and the Office for Budget Responsibility (United Kingdom), with 28 out of 36 Organisation for Economic Co-operation and Development (OECD) countries having such an institution. Their mandates vary considerably, as would be expected given the differing political systems and context of each country. While becoming more widespread, the policy costings function undertaken by the PBO is relatively less common. Many comparable institutions are involved in constructing economic and/or fiscal forecasts or playing an explicit oversight role in monitoring fiscal sustainability.

PBO implementation of recommendations from previous reviews

The PBO's legislation provides for the Joint Committee of Public Accounts and Audit (JCPAA) to request an independent review of the PBO after a general election. The committee has elected to do so after each general election so far, and also inquired into the PBO in 2014. Each of the three reviews to date found that the PBO was operating highly effectively, and made recommendations for further improvement.

2016–17 review

Following the 2016 general election, the JCPAA requested a review be undertaken by Dr Ian Watt AC and Mr Barry Anderson (formerly of the United States' Congressional Budget Office). This review concluded that the 'PBO has been a successful institutional development in Australian governance ... and has filled a significant gap in Australia's public policy landscape'.

The review provided 16 recommendations to further improve the operational effectiveness of the PBO, and we agreed with, and have subsequently implemented, all of the recommendations. These covered four main themes: improving transparency around internal processes and procedures; increasing external engagement and consultation; enhancing evaluation and feedback mechanisms; and increasing the focus of the research and publication program on medium-term fiscal issues. Details of each of these recommendations and the action the PBO has undertaken to implement them are provided at Attachment A.

2014 review

In November 2014, the JCPAA conducted an inquiry to review the operations of the PBO, including the PBO's implementation of the recommendation from the Australian National Audit Office's (ANAO's) performance audit of the PBO (discussed further below). The JCPAA concluded that the PBO had 'developed into a well-regarded and credible professional parliamentary body that is providing high-quality advice in an impartial manner in accordance with its mandate'.

The report presented eight recommendations to Government, seven of which the Government either noted or supported at least in part. The recommendations primarily focused on two areas: access to information and increasing the PBO's focus on medium-term budget and fiscal matters. Details of each of these recommendations and the PBO's comments and actions in relation to these are provided at Attachment B.

2013–14 review

Following the 2013 general election, the JCPAA requested the ANAO conduct a performance audit of the administration of the PBO.

This review concluded that since commencing operation in July 2012, the PBO had effectively undertaken its statutory role and was already well regarded as an authoritative, trusted and independent source of budgetary and fiscal policy analysis. The ANAO further commented that the PBO has made a significant contribution to levelling the playing field for all parliamentarians.

The report made one recommendation that, in the interests of greater transparency, the PBO include estimates of administrative expenses in all costings, where significant. The PBO agreed with and implemented this recommendation. The PBO now explicitly reflects estimated administrative expenses for all costings including when these are presented in summary form (such as tables of capped costings presented in post-election reports).

Stakeholder relationships and engagement

The PBO continues to broaden and deepen its stakeholder relationships and engagement, including by seeking regular feedback on our performance.

Increasing external engagement and consultation to improve the quality and relevance of the PBO's work was one of four themes of the 2016–17 review. In addition to implementing the specific recommendations of the review, including the appointment of an expert advisory panel (see Attachment C), we have increased our focus on engagement with relevant experts in the public and private sectors, academia and similar international organisations. We engage formally and informally with individuals in all of these organisations to inform the development of our costing methodologies, to assist with the evaluations we have undertaken, and in relation to our research publications.

Internationally we engage with peer independent fiscal institutions such as the Canadian Parliamentary Budget Office, the United States' Congressional Budget Office and the United Kingdom's Office for Budget Responsibility as well as through the OECD network of independent fiscal institutions. The OECD network is a particularly valuable forum for us to discuss issues and share experiences with peers from across the OECD and more broadly.

The PBO regularly gathers stakeholder feedback through a range of mechanisms, including:

- the stakeholder survey we undertake once a Parliamentary term (recommendation 16 of the 2016–17 review), which was last undertaken early in 2018
- targeted interviews with key stakeholders within the Parliament, most recently in relation to their engagements with the PBO during the 2019 election period, which has informed our conclusions about how we can improve our performance during the next election period
- informal discussions with stakeholders, particularly parliamentarians' advisors, in relation to our costings work, which has led us to revise our templates and guidance material to make them more accessible

- website mechanisms that facilitate feedback being provided to the PBO on any of our publications.

Our 2018 stakeholder survey provided useful feedback about our operations and indicated a high degree of satisfaction with our services and the publications we produce.¹ For example, on parliamentary requests, respondents were given the opportunity to rate their experiences across each of the three stages of contact with the PBO: initial discussion; formal request; and formal response. Their ratings across a range of service attributes within each stage showed a solid to very high level of overall satisfaction across each of the three stages: 100 per cent of respondents were satisfied with the initial discussion and with customer service during the formal request; 88 per cent were satisfied with the request template itself; and 88 per cent were satisfied with the formal response. We expect to undertake the next stakeholder survey in early 2021.

Other performance indicators the PBO uses to track external engagement include media mentions, report downloads, website page views and twitter activity. In 2018–19, the PBO recorded 1,045 media mentions across print, online, television and radio, blogs and other media. These related to policy costings, PBO research and PBO functions more generally. Media mentions of our costing work usually indicated that the costing estimates were regarded as reliable and that the PBO is regarded as impartial and independent.

Possible areas of reform to support the effective operation of the PBO

The PBO exists to serve the Parliament and the public by fulfilling the roles that Parliament chooses to assign the Office.

Each review of the PBO has made recommendations that have further enhanced our operations. Greater information sharing, external engagement and transparency of internal processes and procedures, amongst other things, have supported the ability of the PBO to fulfil its mandate.

There are avenues for the Parliament to use the PBO to provide it with information in areas of concern to it, such as through requests from Parliamentary committees for costings or analysis of the budget. The PBO has been taking steps to increase our interaction with committees to build their awareness of the ways in which the PBO may be able to support their work.

In considering possible areas of reform to support the PBO's effective operation, the committee may also wish to understand the functions undertaken by other independent fiscal institutions. The functions of these bodies can be broadly described as independent fiscal research and analysis, monitoring compliance with fiscal rules, making or assessing economic and/or fiscal forecasts, and costing policy proposals. Attachment D provides an overview of the functions of independent fiscal institutions across the world.

¹ See *Parliamentary Budget Office Annual Report 2017–18*.

Attachment A – PBO implementation of the recommendations of the PBO Review 2016–17 *Report of the Independent Review Panel*

This is an updated version of the table provided to the JCPAA by the Parliamentary Budget Officer on 30 April 2018 and published on our website, outlining our implementation of the recommendations of the 2016–17 review. At the time of that correspondence, all but one of the recommendations had been addressed, with the remaining one (recommendation 12) requiring a legislative change which has subsequently been made. The updates in this table provide additional information on implementation since the Parliamentary Budget Officer’s letter.

| No. | Recommendation | Action |
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| 1 | The PBO should replace the reliability rating in its costing response documents with a statement on the factors that can affect the uncertainty of that type of policy costing. The PBO’s costing response documents should expand existing qualitative comments on reliability to highlight particularly uncertain elements of the specific policy when that is appropriate. | Since 31 March 2017, the PBO has replaced the single word reliability rating in its costing response documents with a more detailed qualitative statement on the factors that affect the uncertainty of a costing. This has enabled the PBO to highlight the source and degree of uncertainty associated with any particular costing. On 13 September 2017, the PBO published an information paper – <i>Factors influencing the reliability of policy proposal costings</i> . The paper is designed to raise awareness of the factors influencing uncertainty in costings and how the PBO deals with them. |
| 2 | <p>The PBO should further develop and publish principles and processes to help set priorities in relation to requests from parliamentarians for costings and budget analysis, having regard to:</p> <ul style="list-style-type: none"> the relevance of the request to matters expected to be before the Parliament the level of representation of the requesting political party in Parliament the level of priority given to the request by the parliamentarian’s political party and/or the parliamentarian, and the level of resources required to complete the request. | In late 2017, the PBO consulted with stakeholders on its approach to the prioritisation of requests from parliamentarians. On 15 February 2018, the PBO published an information paper – <i>PBO costing processes, timeframes and prioritisation framework</i> . This paper provides information on the details of the costing and budget analysis process, the factors that affect the time it takes for the PBO to respond to parliamentarian requests, and the framework that the PBO applies to prioritise competing demands for costing and budget analysis resources. The purpose of this paper is to provide additional transparency around the factors that affect how the PBO deploys its analytical resources. |

| No. | Recommendation | Action |
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| 3 | <p>The PBO should take action within its resource constraints to improve the quality and timeliness of its responses to parliamentarians' requests for policy costings in peak periods, including:</p> <ul style="list-style-type: none"> entering into secondment arrangements, including reciprocal arrangements, with Government Departments and Agencies, and exploring other mechanisms, such as using technology to streamline the costing process, and increasing collaboration with Government Departments and Agencies on model development. | <p>The PBO is acutely aware of the value that parliamentarians place on high quality and timely responses to their requests for advice and is continuously enhancing its processes to improve our responsiveness given our available resources.</p> <p>The PBO introduced an electronic workflow management and data analysis system in mid-2016 to streamline the monitoring and management of costing requests, and is in the process of identifying further opportunities for enhancements to its ICT systems.</p> <p>The PBO has also been working effectively with a number of Commonwealth agencies to improve the timeliness of its access to updated information and models following economic updates. As part of this work, the PBO has entered into, and expanded, 'standing' arrangements with a number of agencies for the provision of information as soon as practicable following the publication of an updated economic and fiscal outlook.</p> <p>In a number of instances, having ready access to this information positions the PBO to be in a ready state to respond to requests rather than having to first ask for information from an agency. These initiatives also reduce the burden the PBO places on agencies for the provision of information and will facilitate greater opportunities for collaboration on modelling methodology.</p> <p>The PBO has also agreed arrangements with a number of agencies to establish remote access to data and model warehouses held by agencies that hold some of the key microdata sets used for costings and analyses. These arrangements expand the information that can be efficiently analysed and used in responses to parliamentary requests, without placing additional burdens on agencies.</p> <p>The PBO is aware that there are benefits for the PBO and for Commonwealth agencies in establishing ongoing secondment arrangements. These build capability in the PBO and agencies, and expand the pool of potential candidates that the PBO can draw upon during election periods when surge capacity is required. Fourteen secondments were established in 2019 and arrangements are being put in place for future secondments.</p> |

| No. | Recommendation | Action |
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| 4 | <p>The PBO should establish a small, independent, expert advisory panel that it could consult on cross-cutting issues associated with policy costings and fiscal analysis. This advisory panel would not be provided with information on confidential costings of parliamentarians and would have no direct role in their preparation and provision.</p> | <p>The PBO established a panel of expert advisors in late 2017. The inaugural panel consists of seven people with significant experience and expertise in economic analysis, fiscal policy matters and public finance. The PBO engages with all panel members in seeking broad advice on our research program, and specific technical advice on policy issues and the development of costings models. Since its establishment, an annual gathering of all panel members has been held in 2018 and 2019 to discuss and seek feedback on the scope, quality and effectiveness of the PBO's work program and operations. Interactions between members and PBO staff occur regularly outside of these annual meetings, for example to provide peer review of draft PBO reports or of published costings as part of our evaluation process. Attachment C provides the names and positions of expert panel members.</p> |
| 5 | <p>The PBO should ensure that the JCPAA is provided with sufficient data to allow it to regularly monitor the provision of information to the PBO through the Memorandum of Understanding.</p> | <p>The PBO issues a comprehensive activity report three times a year, in addition to its reporting through the annual report. This activity report provides information on the level and demand for PBO services and on our responsiveness.</p> <p>An important element of this report relates to the level and timeliness of the provision of information from Commonwealth agencies to the PBO in response to specific information requests that are issued to these agencies, and standing information requests that have been agreed with agencies. The provision of this information in a timely manner is critical to the response time that the PBO can provide to parliamentarians. The provision of information is governed by a Memorandum of Understanding agreed by the Secretaries of the Department of the Treasury and the Department of Finance, and Protocols agreed by the Prime Minister, the Treasurer and the Minister for Finance.</p> <p>The PBO provides its activity report to the JCPAA secretariat at the same time the report is published and provided to the Estimates Committee secretariat, and has made an open offer to the JCPAA to provide a briefing on the PBO's performance, publications and activities at any time.</p> |

| No. | Recommendation | Action |
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| 6 | <p>The PBO should continue to work collaboratively with Government Departments and Agencies on information requests and model development, consistent with maintaining the confidentiality of parliamentarians' policy proposals. The PBO should ensure that it includes sufficient context to enable the provision of the most appropriate information in response.</p> | <p>Over time, the PBO has increasingly built effective, collaborative relationships with Commonwealth agencies to ensure that information requests are efficiently responded to and model developments are shared.</p> <p>Following engagements between the PBO and agencies, the PBO is increasingly obtaining information used in costings and analyses under standing request arrangements. These arrangements see agencies automatically providing information to the PBO following release events such as the publication of an updated economic and fiscal outlook, the availability of end-of-year data or the update of key models.</p> <p>As noted in recommendation 3, the PBO has also collaborated with some agencies to secure remote access to data and model warehouses.</p> <p>In addition to the ongoing engagements between staff in the PBO and in Commonwealth agencies, the PBO has established regular fora to support a more strategic discussion about how information sharing arrangements with Commonwealth agencies can continue to be enhanced.</p> |
| 7 | <p>The PBO should periodically conduct an ex-post analysis of a limited selection of its policy costing estimates, to help identify areas for improvement in future costings, and report the results to the JCPAA.</p> | <p>The PBO has an ongoing process of refining key models and costing approaches. Every time a new costing is received, the PBO considers whether there is an existing model that is suitable to be used or whether a new model needs to be developed. Where an existing model is available, we carefully examine whether any improvements to the model or approach should be adopted, for example on account of new data or information that is available.</p> <p>The PBO has also established an ongoing process for the formal evaluation of a selection of completed costings and aspects of our modelling methodology and data. These evaluations include consulting with relevant agencies, external stakeholders and/or members of the expert panel.</p> |

| No. | Recommendation | Action |
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| 8 | <p>To improve the relevance of its self-initiated work, the PBO should:</p> <ul style="list-style-type: none"> • develop deeper and broader consultation with the JCPAA and other parliamentary committees • align more closely its self-initiated work with, and help build the capacity of, PBO costing work, and • consider a possible evolution of its self-initiated work program by: <ul style="list-style-type: none"> – expanding its existing focus on medium-term fiscal sustainability issues – building its capacity to analyse underlying drivers of the budget over the longer term, including, but not limited to, demographic analysis, and – ensuring it has the capacity to further develop its longer-term analytic ability to allow consideration to be given to transferring responsibility for the next Intergenerational Report (scheduled for 2020) to the PBO. | <p>The PBO is conscious of the need to ensure that its self-initiated work program is relevant and valued, and uses a range of metrics (including drawing from the stakeholder survey) to report on this element of our performance in the annual report.</p> <p>In preparing the <i>Parliamentary Budget Office corporate plan</i>, the PBO consults with a range of Senate and House of Representatives committees to seek their comments on the proposed research program as well as with members of the PBO's expert panel and other external parties with an interest in the PBO's work. This consultation process has been embedded in the PBO's annual work planning processes.</p> <p>The PBO's self-initiated work program is focussed around analysis that improves and informs our assessment of the medium-term trends and pressures facing Australia's fiscal position.</p> <p>The PBO's research program has continued to evolve over the years since the review and we have increasingly invested in capability to analyse the policy and structural drivers of changes that affect medium-term developments in individual payments programs and majors areas of receipts. This analysis has enabled PBO publications to highlight trends in, and risks to, fiscal sustainability over the medium term. In addition to our annual medium-term fiscal projections which provide a regular, independent assessment of future trends in key fiscal aggregates, other recent publications such as the ageing population and the measurement of government debt have built our capacity to analyse underlying drivers of the budget over the longer term.</p> <p>Since April 2017, costing advice has covered a 10-year horizon, enhancing the integration between our medium-term analysis work and our costing capability.</p> |

| No. | Recommendation | Action |
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| 9 | <p>The PBO should more fully explain the methodology underlying the policy costing process, including in a non-technical fashion.</p> | <p>As an advocate for transparency, the PBO is supportive of releasing information to improve an understanding of the costing services that we provide. On 30 November 2017 the PBO published two information papers – <i>What is a Parliamentary Budget Office costing?</i> and <i>Including broader economic effects in policy costings</i> – which aim to explain the concepts involved in estimating the fiscal cost of a policy proposal. On 13 September 2017 the PBO published an information paper – <i>Factors influencing the reliability of policy proposal costings</i> – to explain the sources of uncertainty that affect a costing and how we address these in our costing advice. We will soon publish a paper which outlines our approach to estimating how people or institutions would be likely to respond to policy proposals where these ‘behavioural responses’ are material to the costs of the policy.</p> <p>We have endeavoured to draft all of these papers for a non-technical audience, including hierarchies of information to suit the different audiences for these papers.</p> <p>All individual costing minutes, including those published in our post-election report and publicly released costing minutes on our website, include details of the assumptions, any associated uncertainties, methodology and data used in each costing, in line with the principles laid out in the information papers mentioned above.</p> |
| 10 | <p>The PBO should publish regular data on the number of policy announcements made with reference to PBO costings, and whether or not, and when, the underlying PBO costing response document was released by the party or parliamentarian concerned.</p> | <p>The PBO activity report, which is published three times a year, has been expanded to include a summary of all costings that have been publicly released by parliamentarians. This information will also be presented in the annual report.</p> <p>The PBO publishes on its website all costing minutes published in full by parliamentarians for whom the costings have been prepared.</p> <p>On 11 August 2017 the PBO published guidance to parliamentarians to outline the operation of this new policy, see <i>Guidance 02/2017 – PBO publication of responses that have been publicly released by parliamentarians</i>.</p> |
| 11 | <p>The Post-election Report of election commitments should include the financial impact over the medium term (in addition to the forward estimates period) of:</p> <ul style="list-style-type: none"> the top ten policy proposals by dollar value any proposal with an impact of over \$1 billion in a year proposals with a materially different impact beyond the forward estimates, and the overall election platform for each political party. | <p>The PBO implemented this recommendation in the 2019 post-election report. This has increased transparency around the medium-term impact of the election commitments of major parties, and is valuable given that a range of policy commitments and election commitments have a significant effect beyond the forward estimates.</p> <p>Implementation of this recommendation required all election commitments to be costed over the medium term, a requirement that has been in place for all PBO costings since April 2017.</p> <p><i>Guidance 02/2018 – Post-election report of election commitments: medium-term reporting</i> provided detailed information to parliamentarians to enable them to understand how the PBO intended to include the medium-term financial impacts of election commitments in the post-election report.</p> |

| No. | Recommendation | Action |
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| 12 | The timing of the publication of the Post-election Report of election commitments should be delayed to the later of the first sitting day of Parliament following a general election or 30 days after the return of the writs from a general election. | The <i>Parliamentary Service Act 1999</i> was amended in early 2019 to enable publishing of the post-election report within 30 days or seven days before sitting of the new Parliament. In 2019, the PBO met this new requirement. This revised timeframe now allows the post-election report to be released nearer to, or at, the resumption of Parliament, and better accommodates the additional work required to cost election commitments over the medium term. |
| 13 | The PBO should provide parliamentary political parties with fewer than five Members or Senators the option to have the financial impact of their election commitments included in the PBO's Post-election Report of election commitments. | <p>On 27 April 2018, the PBO published guidance to parliamentarians to outline how arrangements for small parties would be implemented (see <i>Guidance 01/2018 – Allowing minor parties to opt in to the PBO's post-election report of election commitments</i>). This followed consultation on these arrangements, including through a consultation paper released on 5 March 2018.</p> <p>No minor parties or independents chose to be included in the 2019 post-election report.</p> |
| 14 | The PBO should consider the value of continuing to publish the chart pack following each fiscal update. | <p>Chart packs, which are released by the PBO after each Budget, seek to add to the transparency of the Budget by presenting key budget information in a readily accessible form. They provide a visual summary of the key drivers of the change in budget estimates between Budget updates. The PBO has refined its chart packs over time. Rather than examining all major heads of revenue and payment programs, the chart pack has more recently focussed on the areas which explain the significant changes between Budget updates.</p> <p>In the recent stakeholder survey, 93 per cent of respondents to questions about the chart pack indicated they were interested in, aware of, or had read, the most recent chart pack, suggesting there is value in continuing to publish it.</p> <p>The PBO plans to continue to release a chart pack after each annual Budget update, with a focus on providing an accessible and concise overview of the Budget and identification of the significant changes that have been incorporated.</p> |
| 15 | The PBO should ensure that the JCPAA is regularly provided with sufficient information on the PBO's workload, resource requirements and efficiency, to enable the JCPAA to monitor their impact on the level and timeliness of the PBO's outputs. | <p>The PBO has regular, ongoing correspondence with the JCPAA regarding the PBO's resource requirements, workload and efficiency. The PBO has an open offer to the JCPAA to provide a briefing on the PBO's performance, publications and activities at any time.</p> <p>As noted in the actions on recommendation 5, the PBO provides the JCPAA with a comprehensive activity report three times a year. This report includes information on the level of demand for our services, and the information provided to the PBO from Commonwealth agencies.</p> <p>In addition to this, the PBO will continue to engage with the JCPAA on PBO resourcing in advance of the Budget each year.</p> |

| No. | Recommendation | Action |
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| 16 | <p>The PBO should conduct a survey once in each term of Parliament to get feedback on its performance from its stakeholders.</p> | <p>The PBO welcomes ongoing feedback on its publications and services to ensure we are continuously improving the way we work, and seeks this as part of our regular engagements with stakeholders.</p> <p>The PBO conducted a stakeholder survey during February and March 2018. Results of the survey were included in the PBO's activity report in May 2018 and the annual report.</p> <p>In addition, we are looking at ways to gather more regular feedback through a range of channels to enhance reporting on the PBO's performance as part of the annual performance statement in the annual report. To date, this has included capturing information on the relevance of our services and publications as measured by mentions in Parliament and the media.</p> <p>We also seek feedback from members of the panel of expert advisors on our performance in enhancing transparency around, and public understanding of, the Budget and fiscal policy issues.</p> |

Attachment B – Recommendations from the 2014 Joint Committee of Public Accounts and Audit Report No. 446 *Review of the Operations of the Parliamentary Budget Office*

The report presented eight recommendations to Government. The PBO's comments and actions in response to these recommendations are provided below.

| No. | Recommendation | Comments/Actions |
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| 1 | The committee recommends that the Government ensures that Commonwealth agencies meet the timelines in response to a request from the Parliamentary Budget Officer as specified in the Memorandum of Understanding. | <p>Over time, the PBO has increasingly built effective, collaborative relationships with Commonwealth agencies to ensure that information requests are responded to on the timeframes agreed under the Memorandum of Understanding. Over the past three financial years, 98 per cent of responses received from agencies to PBO information requests have been on time.</p> <p>The PBO has increasingly obtained information used in costings and budget analyses under 'standing request arrangements'. These arrangements see agencies automatically providing information to the PBO following release events such as the publication of an updated economic and fiscal outlook, the availability of end-of-year data or the update of key models.</p> <p>The PBO has also agreed arrangements with a number of agencies for remote access to data and model warehouses held by agencies that hold some of the key microdata sets used for costings and analyses. These arrangements expand the information that can be efficiently analysed and used in responses to parliamentary requests, without placing additional burdens on agencies.</p> <p>Having ready access to information through standing requests or data warehouses puts the PBO in a position to respond to requests rather than having to first ask for information from an agency.</p> |
| 2 | The committee recommends that the legal authority of the Parliamentary Budget Officer should be strengthened by specifying the information gathering powers of the Parliamentary Budget Officer in the <i>Parliamentary Service Act 1999</i> . The Government should bring forward amendments to the <i>Parliamentary Service Act 1999</i> to express the intention of Parliament that the Parliamentary Budget Officer is entitled to free and timely access to all relevant information held by Executive agencies required to perform his or her functions, except where it is unlawful to do so. | <p>While the Government has not brought forward legislation to amend the legal authority of the Parliamentary Budget Officer in line with this recommendation, this has not been an impediment to the operations of the PBO. While it is the case that the proposed change would bring the PBO's right to access information into line with that of many similar organisations across the OCED which have a legislative right to information, it is our assessment that maintaining cooperative arrangements with agencies is the most effective way of ensuring access to information.</p> <p>The response to recommendation 1 illustrates that the PBO has had timely access to relevant information held by Executive agencies required to perform our functions. Over the past five years, access to this information has continued to improve, as demonstrated by developments such as the move to agencies providing a broad range of information under 'standing arrangements' after economic updates and increasing direct access to agency data warehouses.</p> |

| No. | Recommendation | Comments/Actions |
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| 3 | <p>The committee recommends that the Government release details of the individual components of the Contingency Reserve to the Parliamentary Budget Officer, subject to any non-disclosure requirements considered necessary.</p> | <p>The PBO's costings are based on the best information available to the PBO, including known details of items already included in the Budget. The Contingency Reserve forms part of the Budget. The total amount included in the Contingency Reserve is publicly disclosed but the individual components of the Contingency Reserve are not. The Government response to the review, which did not support this recommendation, noted that disclosing individual line items in the Contingency Reserve would be contrary to the public interest.</p> <p>It remains the PBO's view, consistent with our submission to the 2014 JCPAA inquiry, that it is desirable that the PBO be provided with full details of the budget, including the composition of the Contingency Reserve and its revenue equivalent, noting that legislation protects information provided to the PBO in confidence from public release. In the absence of this provision, particularly when the value of Decisions Taken But Not Yet Announced is substantial, the PBO will continue to caveat costing and budget analysis responses to parliamentarians with advice that there is particular uncertainty around costing estimates, which may need to be updated after decisions are announced.</p> |
| 4 | <p>The committee recommends the Government require that where a Commonwealth agency outsources the preparation of budget estimates and costing of policy proposals to a third party, the terms of the contract should enable the agency or the third party to provide all the relevant data, including the underlying calculations, models and methodology, to the Parliamentary Budget Officer under the Memorandum of Understanding without charge.</p> | <p>In preparing policy costings, the PBO has been able to rely on the data and models provided by agencies in responses to information requests. Since the release of 2014 review and the Government's response to the recommendations, situations where the outsourcing of advice has impeded our access to this information have been negligible.</p> |
| 5 | <p>The committee recommends that the Government review Commonwealth statutes and remove legislative barriers to the release of information to the Parliamentary Budget Officer, including those identified in this report.</p> | <p>Since the release of the 2014 review and the Government's response to the recommendations, the PBO is not aware of specific legislative barriers that have impeded release of relevant information to the Parliamentary Budget Officer.</p> |

| No. | Recommendation | Comments/Actions |
|-----|--|---|
| 6 | <p>The committee recommends that where it is appropriate to retain an administrative discretion, the Government should consider making special provision for the release of data to the Parliamentary Budget Officer and, if necessary, any additional protection for the Commonwealth decision maker.</p> | <p>Since the release of 2014 review and the Government's response to the recommendations, the PBO has observed agencies have adopted a less conservative bias towards the provision of information to the PBO and subsequent release to requesting parliamentarians. Where the PBO is seeking to access and release information that an agency deems to be sensitive, agencies have worked collaboratively with the PBO to arrive at a situation where the information that is provided and released still largely meets the needs of the requesting parliamentarian.</p> <p>There remain occasional instances where we have to advise a parliamentarian that an agency has refused the provision of information to the parliamentarian on the grounds that it is confidential.</p> |
| 7 | <p>The committee recommends that the Parliamentary Budget Officer should prepare and publish medium term projections on an annual basis. The Government should bring forward the necessary amendment to section 64E of the <i>Parliamentary Service Act 1999</i> to include the annual preparation of medium term projections as a core function of the Parliamentary Budget Officer.</p> <p>The Parliamentary Budget Officer should be consulted, and if required, the Government should provide additional resources to enable the Parliamentary Budget Officer to carry out the new function.</p> | <p>The <i>Parliamentary Service Act 1999</i> does not limit the PBO's ability to prepare medium-term projections.</p> <p>The PBO publishes an annual report on the medium-term budget outlook, including projections of receipts and payments, and analysis of the major trends in, and risk to, the medium-term outlook. The first medium-term projections were published in 2015–16, with annual publications since 2017–18.</p> |

| No. | Recommendation | Comments/Actions |
|-----|--|--|
| 8 | <p>The committee recommends that the Government bring forward amendments to the <i>Parliamentary Service Act 1999</i>, to extend the analysis in the post-election report beyond the period of 4 years (current financial year and 3 year forward estimates) to include, where possible, 10 year medium term projections of the budget impact of the election commitments of the designated parliamentary parties.</p> <p>The committee recommends that the Government consult the Parliamentary Budget Officer about the timing and detail of the information required on which to base the analysis.</p> | <p>The <i>Parliamentary Service Act 1999</i> does not limit the PBO's ability to include 10-year medium-term projections of election commitments in the election commitment report.</p> <p>In the 2019 election commitment report, the PBO presented the medium-term budget impacts of the entire election platforms of each of the major parliamentary parties.</p> <p>In addition, costing documentation was provided that included the dollar value of the medium-term financial impacts for election commitments that fell into the following categories:</p> <ul style="list-style-type: none"> • the top ten policy proposals by dollar value, over the eleven-year period (ie the combined total of the forward estimates plus the medium term) • an impact of over \$1 billion in any given year across the eleven-year period • proposals with a materially different impact beyond the forward estimates. <p>The PBO consulted on these changes prior to implementation. <i>Guidance 02/2018 – Post-election report of election commitments: medium-term reporting</i> set out the details for how the PBO intended to include the medium-term financial impacts of election commitments in the post-election report.</p> |

Attachment C – PBO panel of expert advisers

On 21 December 2017, the PBO established a panel of expert advisors to ensure that the PBO's work is of the highest analytical quality, is well considered and draws upon expertise from a range of sources. The panel is responsible for providing expert advice, on an as-needs basis, on matters related to policy costings, fiscal policy analysis and the PBO's research program. A full copy of the Terms of Reference is available from

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/About_the_PBO/Organisational_Structure.

The panel is comprised of the following seven members:

Paul Abbey

Paul Abbey is a Partner in the International Tax and Transaction Services group of PricewaterhouseCoopers (PwC). He has experience in tax due diligence, acquisition structuring, capital raisings and initial public offerings. The focus of his work is on issues surrounding consolidation, imputation, capital returns, taxation of trusts, international tax, and PwC's Tax Reform project.

Robert Breunig

Professor Robert Breunig is the Director of the Tax and Transfer Policy Institute at the ANU and held the role of Acting Director of the Crawford School of Public Policy in 2015–16. Professor Breunig has worked in a number of important public policy areas including: the relationship between child care and women's labour supply; the effect of immigration to Australia on the labour market prospects of Australians; and the intergenerational transmission of disadvantage.

Robert Carling

Robert Carling is a Senior Fellow at the Centre for Independent Studies. He specialises in areas of fiscal policy, taxation and federalism. He has been Executive Director, Economic and Fiscal at the New South Wales Treasury and worked at the Australian Government Treasury, the World Bank and the International Monetary Fund.

Melinda Cilento

Melinda Cilento is the Chief Executive of the Committee for Economic Development of Australia. She has a number of other roles including being a non-executive director of Australian Unity and Co-Chair of Reconciliation Australia. She was previously a Commissioner with the Productivity Commission, and has held senior roles in the Business Council of Australia, the Treasury, Woodside Petroleum, Invesco and the International Monetary Fund.

Saul Eslake

Saul Eslake is an independent economist and Vice-Chancellor's Research Fellow at the University of Tasmania. He has held senior roles in financial markets, including as Chief Economist of the Australia & New Zealand Banking Group (ANZ) and as Chief Economist (Australia and New Zealand) for Bank of America Merrill Lynch. He also held the role of Director of the Productivity Growth Program at the Grattan Institute.

Abigail Payne

Professor Abigail Payne is the Director of the Melbourne Institute of Applied Economic and Social Research and holds the Ronald Henderson Professorship. Professor Payne's research focuses on empirical public economics issues, including how government policy affects spending and performance. Her research in education has focussed on the drivers of decisions to attend post-secondary education and understanding gender differences in educational attendance and performance.

David Tune AO PSM

David Tune is the Chair of the Aged Care Sector Committee which advises the Government on aged care policy development and implementation and helps to guide the future reform of the aged care system.

He has held many senior positions in the Australian Public Service, including Secretary of the Department of Finance, Associate Secretary in the Department of the Prime Minister and Cabinet, Deputy Secretary in the Treasury and senior executive positions in the Department of Social Security and Family and Community Services.

Attachment D – independent fiscal institutions

Since the PBO was established in 2012, the number of comparable institutions has grown from around 30 to around 40 bodies and the OECD Council has adopted key principles for successful independent fiscal institutions.²

The mandates of these bodies can be classified into five broad categories: analysis, including of long-term fiscal sustainability, making or assessing economic and/or fiscal forecasts, monitoring compliance with fiscal rules, directly supporting the legislature in budget analysis, and costing policy proposals (either purely for elections, or at any time in the electoral cycle). Virtually all comparable bodies undertake and publish independent research and analysis and many have a formalised role in monitoring fiscal sustainability.

While becoming more widespread, the policy costings function undertaken by the PBO is relatively less common. Table D1 below compares the functions of independent fiscal institutions across the OECD. Variations in the roles of comparable bodies across the world should be considered in the light of variations in political systems, traditions and context.

² *Recommendation of the Council on Principles for Independent Fiscal Institutions*, February 2014, available at <https://www.oecd.org/gov/budgeting/OECD-Recommendation-on-Principles-for-Independent-Fiscal-Institutions.pdf>

Table D1: Functions of OECD independent fiscal institutions

| OECD country | Institution name | Functions ^a | | | | | |
|----------------|--|---|-----------------------------------|---|---|------------------------|------------------------------------|
| | | Analysis of long-term fiscal sustainability | Role in macro or fiscal forecasts | Role in monitoring compliance with fiscal rules | Directly support legislature in budget analysis | Role in policy costing | Role in costing election platforms |
| Australia | Commonwealth Parliamentary Budget Office (PBO) | ● | ○ | ○ | ● | ● | ● |
| | Victorian Parliamentary Budget Office (PBO) | ○ | ○ | ○ | ○ | ● | ● |
| Austria | Fiscal Advisory Council (FISK) | ● | ■ | ● | ○ | ○ | ○ |
| | Parliamentary Budget Office (PBO) | ● | ○ | ○ | ● | ● | ○ |
| Belgium | High Council of Finance (HRF/CSF) | ● | ○ | ● | ○ | ○ | ○ |
| Canada | Parliamentary Budget Office (PBO) | ● | □ | ○ | ● | ● | ● |
| | Financial Accountability Office of Ontario (FAO-ON) | ● | □ | ○ | ● | ● | ○ |
| Czech Republic | Czech Fiscal Council (CFC) | ● | ■ | ● | ○ | ○ | ○ |
| Denmark | Danish Economic Council | ● | □ | ● | ○ | ○ | ○ |
| Estonia | Fiscal Council of Estonia | ○ | ○ | ● | ○ | ○ | ○ |
| Finland | Independent Monitoring and Evaluation of Fiscal Policy Function - National Audit Office of Finland | ● | ■ | ● | ○ | ○ | ○ |
| | Finnish Economic Policy Council (EPC) | ● | ■ | ● | ○ | ○ | ○ |
| France | High Council of Public Finance (HCFP) | ○ | ■ | ● | ○ | ○ | ○ |
| Germany | Independent Advisory Board to the Stability Council | ○ | ■ | ● | ○ | ○ | ○ |
| Greece | Parliamentary Budget Office | ○ | ■ | ● | ● | ○ | ○ |
| | Hellenic Fiscal Council | ● | ■ | ● | ○ | ○ | ○ |
| Hungary | Fiscal Council (established 2011) | ○ | ■ | ● | ○ | ○ | ○ |
| Iceland | Icelandic Fiscal Council | ○ | ○ | ● | ○ | ○ | ○ |
| Ireland | Irish Fiscal Advisory Council (IFAC) | ○ | ■ | ● | ○ | ○ | ○ |
| | Oireachtas Parliamentary Budget Office (PBO) | ○ | ○ | ○ | ● | ● | ○ |
| Italy | Parliamentary Budget Office (PBO) | ● | ■ | ● | ● | ● | ○ |
| Korea | National Assembly Budget Office (NABO) | ● | □ | ○ | ● | ● | ○ |

| OECD country | Institution name | Functions ^a | | | | | |
|-----------------|---|---|-----------------------------------|---|---|------------------------|------------------------------------|
| | | Analysis of long-term fiscal sustainability | Role in macro or fiscal forecasts | Role in monitoring compliance with fiscal rules | Directly support legislature in budget analysis | Role in policy costing | Role in costing election platforms |
| Latvia | Fiscal Discipline Council | ◐ | ■ | ● | ○ | ○ | ○ |
| Lithuania | Budget Policy Monitoring Department – National Audit Office of Lithuania (BPMD) | ● | ■ | ● | ○ | ○ | ○ |
| Luxembourg | National Council of Public Finances (CNFP) | ● | ■ | ● | ○ | ○ | ○ |
| Mexico | Center for Public Finance Studies (CEFP) | ○ | □ | ○ | ● | ● | ○ |
| Netherlands | Netherlands Bureau for Economic Policy Analysis (CPB) | ● | ● | ○ | ● | ● | ● |
| Portugal | Portuguese Public Finance Council (CFP) | ● | ■ | ● | ○ | ○ | ○ |
| Slovak Republic | Council for Budget Responsibility (CBR) | ● | ○ | ● | ○ | ● | ○ |
| Slovenia | Slovenian Fiscal Council | ○ | ○ | ● | ○ | ○ | ○ |
| Spain | Independent Authority of Fiscal Responsibility (AIReF) | ● | ■ | ● | ○ | ○ | ○ |
| Sweden | Swedish Fiscal Policy Council (FPC) | ● | ■ | ● | ○ | ○ | ○ |
| UK | Office for Budget Responsibility (OBR) | ● | ● | ● | ○ | ● | ○ |
| | Scottish Fiscal Commission (SFC) | ○ | ● | ○ | ○ | ● | ○ |
| US | Congressional Budget Office (CBO) | ● | □ | ○ | ● | ● | ○ |

Note: (a) See legend below for key to symbols.

Source: OECD Independent Fiscal Institutions database September 2019, available at

<http://www.oecd.org/governance/budgeting/oecdnetworkofparliamentarybudgetofficialspbo.html>. See the 'Mandate and functions' data tab for notes to the table.

Legend

- = Yes
- = No
- ◐ = Other
- = Assess forecasts only
- = Prepare alternative forecasts