
The Parliament of the Commonwealth of Australia

Inquiry into the proposed Parliamentary Budget Office

Joint Select Committee on the Parliamentary Budget Office

March 2011
Canberra

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Contents

Foreword	vii
Membership of the committee	ix
Terms of reference	xi
List of abbreviations	xiii
List of recommendations	xv

REPORT

1 Introduction	1
Background	1
Role of the committee.....	3
Objectives and scope of the inquiry.....	4
Conduct of the inquiry.....	5
Report structure.....	5
2 Rationale for a Parliamentary Budget Office.....	7
Introduction	7
The role of the Parliament in the Budget process	8
How the Parliament undertakes its role.....	9
Financial scrutiny assistance to the Parliament.....	11
Adequacy of existing financial scrutiny assistance to the Parliament.....	14
The need for further financial scrutiny assistance to the Parliament	17
Options for improving financial scrutiny assistance to the Parliament.....	18
Concluding comments	21

3	Role of the proposed Parliamentary Budget Office	25
	Introduction	25
	Mandate	25
	Examples from other jurisdictions	26
	Functions	28
	Research and analysis.....	29
	Economic forecasting.....	29
	Costings of proposals.....	32
	Promotion and public awareness role	41
	Other suggested functions	42
	Clients of the Parliamentary Budget Office	43
	Members of Parliament	43
	Parliamentary committees.....	44
	Concluding comments	45
4	Authority and accountability	53
	Introduction	53
	Authority	53
	Access to information	61
	Confidentiality and disclosure of information and reports	65
	Appointment, dismissal and remuneration arrangements	69
	Examples from other jurisdictions	70
	Oversight and accountability	72
	Evaluation	74
	Concluding comments	75
5	Resourcing and physical location	85
	Introduction	85
	Staffing	85
	Staff qualifications, experience and associated issues	85
	Staff employment framework.....	87
	Funding	89
	Physical location	92

Concluding comments 93

APPENDICES

Appendix A – Submissions and exhibit 97

Appendix B – Witnesses 99



Foreword

The Joint Select Committee on the Parliamentary Budget Office (PBO) was appointed following a commitment negotiated between political parties and Independent Members of Parliament, after the 2010 federal election. That commitment formed part of the *Agreement for a Better Parliament: Parliamentary Reform* and stated that a PBO 'be established, based in the Parliamentary Library, to provide independent costings, fiscal analysis and research to all members of parliament, especially non-government members.' The *Agreement for a Better Parliament* further stated that the 'structure, resourcing and protocols for such an Office be the subject of a decision by a special committee of the Parliament which is truly representative of the Parliament.'

The membership of the committee consists of Senators and Members of the Australian Labor Party, the Liberal Party of Australia, the Nationals, the Australian Greens and an Independent Member of Parliament. Committee members not only considered matters raised in submissions and public hearings, but also represented the views of their party colleagues. Consistent with its terms of reference, the committee looked beyond the scope of the *Agreement for a Better Parliament* and examined the broader range of services and possible structures for the PBO so that it could effectively serve the Australian Parliament. Key values underpinning the committee's recommendations included incorporating mechanisms into the PBO which could enhance transparency of process, ensure the principle of equality of access to its services and maintain the separation of the Parliament from the Executive.

There is currently no independent body in Australia that specialises in high quality research and analysis on fiscal policy for the Parliament. The establishment of a specialised Office is warranted as the most practical means to fill this critical role. The committee recommended that the mandate of the PBO be to inform the Parliament by providing independent, non-partisan and policy neutral analysis on the full budget cycle, fiscal policy and the financial implications of proposals.


In line with this mandate, the committee has recommended that the main functions of the PBO are to respond to requests of Senators, Members and parliamentary committees, formally contribute to committee inquiries, publish self-initiated work, and prepare costings of election commitments.

The committee found that the election costings provisions of the *Charter of Budget Honesty Act 1998* (Cwlth) (the Charter) have significant shortcomings in enabling the electorate to be better informed about the financial implications of election commitments. As a result, the quality of political debate during the election period is lessened as voters go without an independent and potentially very valuable source of information. The committee has recommended new measures to provide incentives for parties to use a costings process for the purpose of enhancing transparency and accountability of policies and better informing the wider community. New measures include amending the Charter to enable minor parties to access the existing election costings process and providing an alternative source of costings through the PBO.

In line with international best practice, the committee has recommended that the position of Parliamentary Budget Officer be created as an independent officer of the Parliament. In this way, the Parliamentary Budget Officer and their office may more clearly serve the ongoing information and scrutiny needs of the Parliament as a whole, therefore improving fiscal transparency and Executive accountability. Related recommendations in the report seek to further strengthen the ability of the PBO to provide independent and robust analysis. These include provisions for the PBO to access information held by government departments, the appointment, dismissal and remuneration arrangements for the Parliamentary Budget Officer, and mechanisms for the oversight of the PBO by the Joint Committee of Public Accounts and Audit.

On behalf of the committee, I would like to acknowledge and thank the government and parliamentary departments and other organisations and individuals who contributed their expertise and time to this inquiry. I would also like to extend my thanks to committee members for actively participating in this inquiry and shaping the recommendations of this unanimous report. Finally, I thank the Secretariat for facilitating the work of the committee.

Senator the Hon John Faulkner
Chair



Membership of the committee

Chair Senator the Hon John Faulkner

Deputy Chair Hon Christopher Pyne MP

Members

Ms Anna Burke MP	Senator Doug Cameron
Mr Nick Champion MP	Senator Barnaby Joyce
Mrs Yvette D'Ath	Senator Christine Milne
Mr Robert Oakeshott MP	
Ms Kelly O'Dwyer MP	

Committee secretariat

Committee Secretary	Mr David Brunoro (from 3 February 2011)
	Mr Russell Chafer (until 2 February 2011)
Inquiry Secretary	Ms Stephanie Mikac
Technical Adviser	Dr Mark Rodrigues



Terms of reference

The Australian Parliament appointed the Joint Select committee on the Parliamentary Budget Office to examine the proposal to establish a Parliamentary Budget Office (PBO) and report no later than 31 March 2011.

- (1) The Joint Select Committee will inquire into and report on:
 - (a) the appropriate mandate for the Parliament Budget Office (PBO);
 - (b) the nature of information needed to assist the Parliament in its consideration of matters related to the Budget;
 - (c) the role and adequacy of current institutions and processes in providing this information, and the areas in which additional support is required;
 - (d) the scope for a PBO to fulfil its mandate in a cost-effective manner; and
 - (e) bearing in mind these considerations, the most appropriate structure, resourcing and protocols for a PBO, including but not limited to:
 - (i) the PBO's functions and lines of accountability and oversight;
 - (ii) the routine work expected of the PBO and the minimum reporting requirements;
 - (iii) the protocols for members of parliament requesting non-routine work of the PBO, including the types of work and the rules for prioritising and carrying out these requests;
 - (iv) the protocols around access to and disclosure of the PBO's work and any confidentiality requirements;
 - (v) the protocols around the PBO's relationships with other institutions and processes, including Government departments and agencies; and
 - (vi) an appropriate level of staffing, appropriate qualifications for staff, and resources to allow the PBO to fulfil its mandate; and
 - (f) in conducting its inquiry, the committee may choose to consider the operation and effectiveness of similar offices in other parliamentary democracies and their relevance to Australian circumstances.



List of abbreviations

ACCI	Australian Chamber of Commerce and Industry
ANAO	Australian National Audit Office
BCA	Business Council of Australia
BIS	Budget Impact Statement
CBO	Congressional Budget Office
CLA	Civil Liberties Australia
CPB	Central Planning Bureau
Cwlth	Commonwealth
DPS	Department of Parliamentary Services
FOI	Freedom of Information
JCPAA	Joint Committee of Public Accounts and Audit
MOU	Memorandum of Understanding
NABO	National Assembly Budget Office
NSW	New South Wales
OBR	Office of Budget Responsibility
OECD	Organisation for Economic Co-operation and Development
PBO	Parliamentary Budget Office
PBS	Portfolio Budget Statements

PEPU	Pre-Election Policy Unit
PPI	Public Policy Institute
UK	United Kingdom of Great Britain
US	United States of America



List of recommendations

2 Rationale for a Parliamentary Budget Office

Recommendation 1

The committee recommends that the Australian Government establish a Parliamentary Budget Office dedicated to serving the Australian Parliament.

3 Role of the proposed Parliamentary Budget Office

Recommendation 2

The committee recommends that the Government establish the mandate of the Parliamentary Budget Office as to inform the Parliament by providing independent, non-partisan and policy neutral analysis on the full Budget cycle, fiscal policy and the financial implications of proposals.

Recommendation 3

The committee recommends that the Government empower the Parliamentary Budget Office to undertake the following functions, consistent with its mandate:

- prepare responses to the requests of individual Senators and Members, regardless of party or Government status, and parliamentary committees, including the preparation of costings in relation to proposed policies and bills outside the caretaker period,
- make formal contributions to committee inquiries,
- initiate its own work in anticipation of the interests of its clients, and

- prepare costings of election commitments during the caretaker period.

Recommendation 4

The committee recommends that the Government amend the *Charter of Budget Honesty Act 1998* (Cwlth) to enable the leaders of parliamentary parties with a minimum number of parliamentary members to access the election costings provisions of the Act. The minimum number of parliamentary members should be consistent with similar requirements set out in the *Parliamentary Allowances Act 1952* (Cwlth) and the *Parliamentary Entitlements Act 1990* (Cwlth), which is currently five members or more.

Recommendation 5

The committee recommends that the Government amend the *Charter of Budget Honesty Act 1998* (Cwlth) to enable the costing of election commitments in the period starting from the issue of the writ for the election and ending when the election result is clear or, if there is a change of Government, until the new Government is appointed.

Recommendation 6

The committee recommends that the Government empower the Parliamentary Budget Office (PBO) to provide election costings on request, in relation to publicly announced policies, starting from the issue of the writ for the election and ending when the election result is clear or, if there is a change of Government, until the new Government is appointed. Apart from the conditions for who can make a request for costings, the caretaker period costings service of the PBO is to be consistent with that of the *Charter of Budget Honesty Act 1998* (Cwlth).

Recommendation 7

The committee recommends that the election costing service of the Parliamentary Budget Office be limited to requests from nominated parliamentary party representatives and Independent Members originally elected and seeking re-election, as Independent Members, without the endorsement of a registered political party.

Recommendation 8

The committee recommends that the election costing service of the Parliamentary Budget Office be limited to requests from nominated parliamentary party representatives and Independent Members (as defined in recommendation 7), in relation to their own policies.

Recommendation 9

The committee recommends that individual election commitments are not able to be costed by both the Parliamentary Budget Office (PBO) and the Departments of the Treasury and of Finance and Deregulation, and that to avoid duplication, the PBO and Treasury and Finance confer prior to the preparation of each costing request.

4 Authority and accountability

Recommendation 10

The committee recommends that the position of Parliamentary Budget Officer be established as an independent officer of the Parliament through dedicated legislation.

Recommendation 11

The committee recommends that the legislation establishing the Parliamentary Budget Officer include provisions to establish the Parliamentary Budget Office to support the work of the Officer.

Recommendation 12

The committee recommends that the legislation establishing the office of Parliamentary Budget Officer include the Officer's: mandate, functions, maintaining confidentiality of information provisions, parliamentary oversight, reporting requirements, appointment, dismissal, remuneration determination arrangements, and term of office.

Recommendation 13

The committee recommends that the Parliamentary Budget Officer access information from Government departments through a negotiated memorandum of understanding with the Departments of the Treasury and of Finance and Deregulation and other departments or organisations as necessary.

Recommendation 14

The committee recommends that the Parliamentary Budget Officer be empowered to use the formal processes provided through the *Freedom of Information Act 1982* (Cwlth) without cost to the Parliamentary Budget Officer, in the event that particular information is not provided by a Government department in accordance with any established memorandum of understanding, and the PBO is not satisfied by the rationale of the department for declining to disclose information.

Recommendation 15

The committee recommends that the legislation establishing the office of Parliamentary Budget Officer include specific provisions to maintain the confidentiality of the sensitive information held within the Parliamentary Budget Office.

Recommendation 16

The committee recommends that wherever possible, in the interest of transparency and accountability the work of the Parliamentary Budget Office be made publicly available.

Recommendation 17

The committee recommends that responses by the Parliamentary Budget Office to requests from individual parliamentarians, outside the caretaker period for general elections, be provided in confidence, where it has been specifically directed by the client to do so.

Recommendation 18

The committee recommends that where possible, the work that has gone into the preparation of a response to a client request be made available to be included in the public reports of the Parliamentary Budget Officer. This may involve negotiating, with relevant Senators and Members for the public release of work prepared on their behalf, while withholding information about the original request, such as the identity of the parliamentarian and other substantive information requested, to remain in confidence.

Recommendation 19

The committee recommends that the Parliamentary Budget Officer be empowered to make public statements, in particular where they consider that their work has been misrepresented in the public domain.

Recommendation 20

The committee recommends that the reporting provisions under the establishing legislation require the Parliamentary Budget Officer to formulate an annual work program, draft budget estimates and an annual report in line with the *Financial Management and Accountability Act 1997* (Cwlth) and the *Commonwealth Authorities and Companies Act 1997* (Cwlth).

Recommendation 21

The committee recommends that, with the exception of term of office provisions, the appointment, dismissal and remuneration determination processes of the Parliamentary Budget Officer be in line with similar provisions contained in the *Auditor-General Act 1997* (Cwlth).

Recommendation 22

The committee recommends that the term of office of the Parliamentary Budget Officer be for a period of four years, with the option of renewing the appointment.

Recommendation 23

The committee recommends that the Joint Committee of Public Accounts and Audit (JCPAA) have oversight of the Parliamentary Budget Officer and their office in regard to the annual work program, draft budget estimates, and annual report, in line with similar provisions in the *Auditor-General Act 1997* (Cwlth). This includes a formal role for the JCPAA in endorsing the workload protocols applicable to the Parliamentary Budget Office.

Recommendation 24

The committee recommends that an independent body be engaged to undertake an operational evaluation of the Parliamentary Budget Office, completed within nine months after the result of a Federal election is notified. On completion, the evaluation report should be tabled in the Parliament and referred to the Joint Committee of Public Accounts and Audit for possible review.

Recommendation 25

The committee recommends that the proposal to engage an independent body for the purpose of undertaking the operational evaluation of the Parliamentary Budget Office be referred to the Joint Committee of Public Accounts and Audit for consideration and endorsement.

5 Resourcing and physical location**Recommendation 26**

The committee recommends that the Office of the Parliamentary Budget Officer be provided with ongoing funding of no less than \$6 million per annum with consideration being given to additional resourcing for election years.

Recommendation 27

The committee recommends that the annual draft budget of the Office of the Parliamentary Budget Officer be considered by the Joint Committee of Public Accounts and Audit, and that this committee explicitly review the adequacy of additional funding provided for election years.

Recommendation 28

The committee recommends that the Australian Government explore locating the Parliamentary Budget Office within close proximity to Parliament House or co-locating it with an established organisation for the purpose of gaining administrative efficiencies.

Introduction

Background

- 1.1 The need for a Parliamentary Budget Office (PBO) for Australia has been raised at various times since the 1980s, usually with reference to a PBO that would be similar to the Congressional Budget Office (CBO) of the United States of America.¹
- 1.2 In 2005, the debate about establishing a PBO was highlighted following concerns raised in the Parliament about fiscal accountability and transparency and its connection to the costing of election policy processes included under the *Charter of Budget Honesty*.²
- 1.3 The need for a PBO was again raised in April 2008, at the 2020 Summit, where it was identified that there was a 'need for a well-resourced and financed parliamentary budget office and research office.'³ In its response to the 2020 Summit, the Australian Government put the view that a PBO

1 Eg. Senator Lewis, 'Financial impact statements', Senate, *Debates*, 11 March 1982, p. 753; Senator Gibson, 'Questions without notice', Senate, *Debates*, 9 May 1995, p. 27; J Gillard, 'Parliamentary Service Amendment Bill Second reading', House of Representatives, *Debates*, 16 March 2005, p.57.

2 L Tanner, 'Health Insurance Amendment (Medicare Safety-nets) Bill 2005, Second reading', House of Representatives, *Debates*, 5 September 2005, pp 114-119, Ms Bird, , 'Health Insurance Amendment (Medicare Safety-nets) Bill 2005, Second reading', House of Representatives, *Debates*, 13 September 2005, p. 73.

3 Department of the Prime Minister and Cabinet, *Australia 2020 Summit: Final Report*, DPMC, Canberra, 2008, p. 330.

was not needed and that a service to advise Members of Parliament was already available through the Parliamentary Library.⁴

- 1.4 In May 2009, in his Budget reply speech, the then Leader of the Opposition, the Hon Malcolm Turnbull MP, called for the establishment of a PBO which was to be modelled on the CBO. The PBO would be responsible to the Parliament, 'and chartered to provide ... independent, objective analysis of fiscal policy, including long-term projections of the impact of various measures on the economy'.⁵
- 1.5 In June 2010, the Leader of the Opposition, the Hon Tony Abbott MP, renewed the call for the creation of a PBO. Establishment of a PBO formed part of the Federal Coalition's 2010 election policy platform.⁶
- 1.6 On 24 June 2010, a private senator's bill was introduced into the Senate proposing to establish a PBO.⁷ Similarly to previous such initiatives, the PBO would be modelled on the CBO. The bill was subsequently referred for inquiry, to the Senate's Finance and Public Administration Legislation Committee. In August 2010, the committee presented an interim report to the Senate. However, the committee was not able to present a final report, as the inquiry lapsed on prorogation of the 42nd Parliament.
- 1.7 Following the 2010 federal election, a commitment to establish a PBO formed part of the minority government agreements signed by the Australian Labor Party with the Australian Greens and with three independent Members of Parliament.⁸
- 1.8 There is currently no PBO-type body to support the Australian Parliament. However, recently⁹, through the passage of the *Parliamentary Budget Officer Act 2010* (NSW) a New South Wales (NSW) PBO was established.¹⁰

4 Department of the Prime Minister and Cabinet, *Responding to the 2020 Summit*, DPMC, Canberra, 2009, p. 234.

5 M Turnbull, 'Appropriation Bill (No. 1) 2009-2010, Second reading', House of Representatives, *Debates*, 14 May 2009, p. 3975.

6 T Abbott, 'Real Action to End the Waste & Deliver Lower, Fairer & Simpler Taxes', 12 August 2010, <http://www.tonyabbott.com.au/LatestNews/PressReleases/tabid/86/articleType/ArticleView/articleId/7588/Real-Action-to-End-the-Waste-Deliver-Lower-Fairer-Simpler-Taxes.aspx>, viewed 2 March 2011.

7 Senator Guy Barnett introduced the Parliamentary Office Bill 2010.

8 The Australian Greens and the Australian Labor Party ('The Parties') - Agreement, 1 September 2010; The Australian Labor Party and the Independent Members (Mr Tony Windsor MP and Mr Rob Oakeshott MP) ('The Parties') - Agreement, 7 September 2010; Hon Julia Gillard MP and Mr Andrew Wilkie MP ('The Parties') - Agreement, 2 September 2010.

9 The New South Wales Parliamentary Budget Office was established on 3 February 2011.

- 1.9 The NSW Parliamentary Budget Officer is an independent officer of the Parliament whose primary role is to prepare costings of election policies for parliamentary leaders and independent members prior to state general elections. The NSW PBO has also been tasked with responding to requests for research and analysis from individual Members of Parliament.

Role of the committee

- 1.10 The Joint Select Committee on the Parliamentary Budget Office (the committee) was established by a resolution passed by the House of Representatives on 18 November 2010¹¹ and by the Senate on 22 November 2010.¹²
- 1.11 The committee was appointed to broadly examine the proposal arising from the *Agreement for a Better Parliament*¹³ which among a number of proposals for parliamentary reform also advocated for the establishment of a Parliamentary Budget Office (PBO).
- 1.12 In relation to improving the resources available to the Parliament through establishment of a PBO, the *Agreement for a Better Parliament* states:

A Parliamentary Budget Office be established, based in the Parliamentary Library, to provide independent costings, fiscal analysis and research to all members of Parliament, especially non-government members.

The structure, resourcing and protocols for such an Office [would] be [the] subject of a decision by a special committee of the Parliament which is truly representative of the Parliament.¹⁴

10 Parliament of New South Wales, Parliamentary Budget Office, www.parliament.nsw.gov.au, viewed 25 February 2011.

11 Australia, House of Representatives 2010, *Votes and Proceedings*, No. 15, 18 November 2010, p. 211.

12 Australia, Senate 2010, *Journals*, No. 12, 22 November 2010, p. 372.

13 The *Agreement for a Better Parliament* was jointly agreed by the Australian Labor Party, the Coalition Parties and the Country Independents after the 2010 Federal election. The aim of the Agreement was to increase the authority of and improve participation opportunities for all Members of Parliament, thereby increasing the authority of the Parliament in relation to the Executive and in this way strengthening the Australian system of democracy. Parliament of the Commonwealth of Australia, 6 September 2010, *Agreement for a Better Parliament: Parliamentary Reform*, Preamble, p. 1.

14 Parliament of the Commonwealth of Australia, 6 September 2010, *Agreement for a Better Parliament: Parliamentary Reform*, para. 16.1, p. 8.

- 1.13 The committee's resolution of appointment provided broad direction on the type of roles envisaged of the proposed PBO and the subsequent areas for examination by the committee. The preamble to the committee's resolution of appointment states:

It is proposed that the PBO will provide information to assist the Parliament in its consideration of matters related to the budget, by undertaking fiscal analysis and other relevant research by providing policy costings advice. The PBO will also promote greater public awareness of key budget and fiscal policy issues.

- 1.14 Taking into consideration the *Agreement for a Better Parliament* and the committee's resolution of appointment, the committee undertook its inquiry with the aim of examining whether a PBO is required and how it could best serve the needs of the Parliament.

Objectives and scope of the inquiry

- 1.15 The committee received evidence about a range of international PBO models and the possible application of their various elements in the Australian context. In respect to a PBO, the committee examined: a possible mandate, functions, governance structure, level of funding and oversight mechanisms.
- 1.16 In terms of possible institutional characteristics which could form PBO governance arrangements, the committee examined: the implications associated with the different types of institutional authority that may be applied to the office of the Parliamentary Budget Officer, associated access to information powers, the PBO's relationship with the Parliament and other agencies, appointment, dismissal, remuneration arrangements, and term of office for the Parliamentary Budget Officer, institutional reporting requirements and operational evaluation.
- 1.17 These arrangements were also considered in terms of how they could enhance transparency and accountability in the scrutiny of fiscal policy.
- 1.18 In forming a PBO framework relevant for Australia, the committee, in addition to considering various elements of existing PBOs, also considered various aspects of the Auditor-General's role as an independent officer of the Parliament. Through this inquiry, the committee has also taken into consideration the contribution of the Departments of the Treasury and of Finance and Deregulation in undertaking policy costings through the *Charter of Budget Honesty*.

Conduct of the inquiry

- 1.19 On 26 November 2010, the committee issued a media release announcing the inquiry and invited submissions to be received by 21 January 2011. The inquiry was also advertised in *The Australian* on 1 December 2010 and *The Canberra Times* on 4 December 2010.
- 1.20 The committee invited submissions from: Leaders of major and minor political parties and Independent Members of Parliament, the Treasurer, the Minister for Finance and Deregulation, the Department of Parliamentary Services, the Department of the House of Representatives, the Department of the Senate, the Clerks of the New South Wales Parliaments and a number of international Parliamentary Budget Offices.
- 1.21 The committee received 25 submissions and 1 exhibit to the inquiry. These are listed at Appendix A.
- 1.22 Three public hearings were held in Canberra on 1, 8 and 28 February 2011. Witnesses who appeared before the committee at these hearings are listed at Appendix B. Transcripts of evidence received at these hearings are available at: www.aph.gov.au/house/committee/jscpbo.

Report structure

- 1.23 Chapter 2 outlines the rationale for a PBO in the context of examining and improving the assistance available to the Australian Parliament in exercising its role in scrutinising fiscal policy. Chapter 2 also outlines how a PBO could contribute to and enhance the scrutiny function of the Parliament.
- 1.24 Chapter 3 provides an overview of the possible mandate, functions and clients of a PBO including its possible role in producing research, analysis and costings of policy proposals.
- 1.25 Chapter 4 examines the PBO's: authority-type, access to information powers, information disclosure and confidentiality considerations, appointment, dismissal, remuneration and term of office arrangements for a parliamentary budget officer, oversight and accountability mechanisms, and operational evaluation.
- 1.26 Chapter 5 provides an overview of the issues associated with staffing, funding and location of the proposed PBO.

Rationale for a Parliamentary Budget Office

Introduction

- 2.1 Over recent decades in Australia and internationally there has been a growing trend in examining and questioning the adequacy of fiscal management, the accuracy of government forecasting, cost overruns of major programs, the transparency of public expenditure, and independence in the process of costing election commitments.¹
- 2.2 In attempting to deal with these issues, many countries have found that existing parliamentary institutions have limited resources to undertake a high level of analysis on fiscal matters. To satisfy a need for greater support, many parliaments have established specialist research and analytical units such as Parliamentary Budget Offices (PBOs) which are independent from government to varying degrees and which assist parliamentarians in their consideration of government finances and expenditure.²
- 2.3 The Organisation for Economic Co-operation and Development (OECD) has observed that in recent years, there is an international trend in establishing specialist budget research units. The OECD stated:

The growth of bodies to assist the legislature in budgetary matters is a strong trend in OECD countries. They take a variety of forms

1 These matters have been raised across a range of submissions. See for example, Departments of the Treasury and of Finance and Deregulation, *Submission 16*, pp 1-2; S Bartos, 'Enhancing Budget Integrity in Australia', attachment to Business Council of Australia, *Submission 17*; pp 2-5; Parliamentary Budget Officer, Canada, *Exhibit 1*, pp. 2-4.

2 B Anderson, 'The changing role of Parliament in the budget process', *OECD Journal on Budgeting*, Vol. 1, 2009, p. 38.

but their *raison d'être* is the same: Parliaments need specialised resources in order to carry out their constitutional responsibilities *vis-à-vis* the budget. The functions of such bodies include economic forecasts, baseline estimates, cost estimation, analysis of the Executive's budget proposals and medium-term analysis. As such, they have the potential to improve transparency and enhance the credibility of the Government's Budget and public finances in general.³

- 2.4 It is recognised that PBOs in other jurisdictions are products of the historical and institutional frameworks of the parliaments they serve. As Mr Stephen Bartos advised, there is 'no "best practice" model or template that can be applied from one jurisdiction to another'.⁴
- 2.5 The case for establishing a PBO to serve the Australian Parliament must be based on the potential contribution of the Office in relation to the role of the Parliament in public expenditure, the adequacy of existing mechanisms to support that role, and the need for expanding that support.

The role of the Parliament in the Budget process

- 2.6 One of the primary functions of the Parliament is to scrutinise and approve proposals for the raising and spending of public money by the Executive Government. While the Government may initiate an increase in taxation and expenditure, authorisation of such proposed appropriations can only be granted by the passage of legislation through the Parliament.⁵
- 2.7 The Australian Constitution enshrines the principle of parliamentary control over the expenditure of the Executive. This principle has long been recognised as the fundamental means by which the Parliament can hold the Executive Government to account.⁶
- 2.8 The basic parameters for the role of the parliament in the budget process are entrenched in a number of constitutional provisions.⁷ The role of the Parliament in relation to the receipt and spending of public money by the

3 OECD, *Submission 8*, p. 1.

4 Mr Stephen Bartos, *Submission 18*, p. 2. A number of other contributors to the inquiry made this point. See for example, Mr Stein Helgeby, Department of Finance and Deregulation, *Transcript of Evidence*, 1 February 2011, p. 63; Mr Peter Hicks, *Submission 12*, p. 8; Department of Parliamentary Services, *Submission 4.1*, p. 1.

5 Section 83, Australian Constitution.

6 I Harris (ed.) *House of Representatives Practice, Fifth Edition*, Department of the House of Representatives, Canberra, 2005, p. 407.

7 Including sections 81, 83, 51, 53, 54 and 56.

Executive Government is primarily derived from sections 81 and 83 of the Constitution:

Section 81. All revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth in the manner and subject to the charges and liabilities imposed by this Constitution.

Section 83. No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law.⁸

- 2.9 The 'appropriation made by law' is enacted through the passing of the Appropriation Act which appropriates 'money out of the Consolidated Revenue Fund for the ordinary annual services of the Government, and for related purposes'.⁹ Appropriations cannot be made by a parliamentary vote or resolution, nor can an appropriation bill originate in or be amended by the Senate.
- 2.10 Over time, the proportion of public expenditure authorised outside the budget process as a special or standing appropriation has grown to over 80 per cent. This means that only about 20 per cent of Government expenditure is regularly scrutinised by the Parliament through the annual budget process.¹⁰
- 2.11 Parliamentary scrutiny of special appropriations is discussed later in this chapter. The following sections focus on the annual budget process.

How the Parliament undertakes its role

- 2.12 The Budget bills comprise the Appropriation Bills No. 1 and No. 2 and the Appropriation (Parliamentary Departments) Bill. Appropriation Bill No. 1 is for the ordinary annual services of Government which is unable to be amended by the Senate. This Bill provides for continuing expenditure on existing programs.¹¹
- 2.13 Appropriation Bill No. 2 provides for expenditure for 'other services' apart from 'ordinary annual services', which may include the funding of

8 Sections 81 and 83, Constitution of the Commonwealth of Australia.

9 *Appropriation Act (No. 1) 2010-2011 (Cwlth)*, Long title.

10 R Webb, 'The Commonwealth Budget: process and presentation', *Research Paper no. 16*, Parliamentary Library, Canberra, 27 April 2010.

11 Explanatory Memorandum, Appropriation Bill (No. 1) 2010-11.

new policies, capital expenditure and grants to the states. The Senate is able to amend Appropriation Bill No. 2.¹²

- 2.14 Items which should not be included in 'ordinary annual services of the Government' were, to some extent, agreed in a Compact between the Government and the Senate in 1965. Several modifications to the Compact have been made since then, most recently in June 2010.¹³
- 2.15 The Budget speech, delivered by the Treasurer each May, is the second reading speech introducing the Budget bills into the House of Representatives. The related Budget Papers are also presented to the Parliament at this time.¹⁴
- 2.16 The passage of the bills through the House of Representatives follows the same schedule as for other bills, which includes the second reading debate, (budget debate) consideration in detail, and third reading stages.¹⁵ The Budget debate usually continues over several weeks.¹⁶
- 2.17 On Budget night, the Minister representing the Treasurer in the Senate also presents the Budget Papers (but not the bills) to the Senate and the Senate then refers the estimates of the proposed expenditure to its legislation committees for examination and report.¹⁷
- 2.18 The Senate Estimates process enables Senators to directly question Ministers and senior public servants in relation to public expenditure proposals. The eight Senate legislation committees undertake estimates hearings over a period of two weeks in May. A further round of hearings

12 Explanatory Memorandum, Appropriation Bill (No. 2) 2010-11.

13 Department of the Senate, *Submission 6*, p. 5. Although the Clerk has also noted that 'a misunderstanding between the Senate and the Government following the introduction of accrual budgeting has never been satisfactorily resolved.'

14 In 2010 the Budget Papers comprised Budget Paper no. 1: Budget Strategy and Outlook, which contains 10 statements (including the Budget Overview, Economic Outlook, Fiscal Strategy and Outlook), Budget Paper no. 2: Budget Measures, Budget Paper no. 3: Australia's Federal Relations, Budget Paper no. 4 Agency Resourcing, Portfolio Budget Statements, Ministerial statements and media kits.

15 There are however, some variations to procedure for the main appropriation bill and appropriation or supply bills for the ordinary annual services of government. For example, unlike for other bills, the budget debate in the House of Representatives need not be strictly relevant to the bill. See Standing Order 76(c), House of Representatives, *Standing and Sessional Orders*, as at 20 October 2010.

16 Department of the House of Representatives, 'The Budget and Financial Legislation', *Infosheet No. 10*, October 2010, p. 2.

17 Department of the Senate, 'Consideration of Estimates by the Senate's Legislation Committees', *Senate Brief No. 5*, May 2010, p. 2.

is then held later in the financial year to examine any additional estimates if the Government requires further funding.¹⁸

- 2.19 The Clerk of the Senate stated that the examination of estimates of expenditure by Senate committees is the most extensive of the parliamentary mechanisms available to scrutinise the Budget. Committee secretariats do not have an active role in support of estimates hearings due to the 'political' nature of these hearings.¹⁹
- 2.20 Other mechanisms of parliamentary scrutiny of Government expenditure and service delivery include inquiries by general purpose standing committees and parliamentary questions asked of the Executive.
- 2.21 The Joint Standing Committee of Public Accounts and Audit and the Senate Finance and Public Administration Committee have also been involved with the detailed scrutiny of expenditure, service delivery and financial transparency outside of the annual budget process.

Financial scrutiny assistance to the Parliament

- 2.22 Assistance to the Parliament in relation to the scrutiny of the Budget and public expenditure are provided by Government agencies through the publication of information, the parliamentary departments by interpreting that information, and specialist statutory bodies such as the Australian National Audit Office (ANAO) which supplement that information, with for example, post implementation audits.
- 2.23 The Departments of the Treasury and of Finance and Deregulation (Treasury and Finance) are jointly responsible for advising the Government on the economy and government finances as well as preparing the annual Budget and other reports and statements.²⁰ The Departments also have oversight of the transparency and Budget reform agenda of the Government.
- 2.24 Significant initiatives in relation to Budget reform over the past 20 years include the establishment of the National Commission of Audit, the move to a full accrual budget and reporting system and the outcomes and output framework, the enactment of the *Charter of Budget Honesty Act 1998* (Cwlth) (the Charter) and measures introduced as part of *Operation Sunlight: Enhancing Budget Transparency*.

18 Department of the Senate, 'Consideration of Estimates by the Senate's Legislation Committees', *Senate Brief No. 5*, May 2010.

19 Department of the Senate, *Submission 6*, p. 3

20 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 4.

- 2.25 Operation Sunlight is the Government's reform agenda to 'improve the openness and transparency of public sector budgetary and financial management and to promote good governance practices'.²¹ Under Operation Sunlight, a number of changes to Budget transparency have been implemented including:
- Providing further Budget information, such as a register of Special Accounts and Standing Appropriations;
 - Redesigning Portfolio Budget Statements (PBS) to improve readability and to include greater performance information and a new Resource Statement on the funds available to an agency;
 - Consolidating financial statements in Budget Paper no.1 under Australian Accounting Standard 1049; and
 - Introducing program reporting from the 2009-10 Budget in Portfolio Budget Statements.²²
- 2.26 The Charter was designed to improve economic policy and transparency. The Charter requires government budgets to be based on 'the principles of sound fiscal management'. The principles are described, *inter alia*, as:
- ... manage financial risks faced by the Commonwealth prudently, having regard to economic circumstances, including by maintaining Commonwealth general government debt at prudent levels; and ensure that its fiscal policy contributes to achieving adequate national saving; and to moderating cyclical fluctuations in economic activity, as appropriate, taking account of the economic risks facing the nation and the impact of those risks on the Government's fiscal position...²³
- 2.27 The Charter also requires the Government to produce the following reports and statements:
- Fiscal Strategy Statement
 - Budget Fiscal Outlook Statement
 - Mid-Year Outlook Statement
 - Final Budget Outcome Statement
-

21 Department of Finance and Deregulation, 'Operation Sunlight', <http://www.finance.gov.au/financial-framework/financial-management-policy-guidance/operation-sunlight/index.html>, viewed 2 March 2011.

22 Australian Government, *Operation Sunlight: Enhancing Budget Transparency*, Canberra 2008.

23 Section 5 (1), *Charter of Budget Honesty Act 1998* (Cwlth).

- Intergenerational Report (published every five years)
 - Pre-Election Economic and Fiscal Outlook Report (published within ten days of the issue of the writ for a general election)
 - Costings of publicly announced election policies, on request of the Government or Opposition.
- 2.28 Treasury and Finance suggested that the Charter has become an important feature of Australia's fiscal policy framework:
- ... especially since the legislation of the Charter, Australia's fiscal frameworks are already well regarded internationally, particularly in respect of the detail and transparency provided through the publicly released documentation.²⁴
- 2.29 In addition to the reports and statements required by the Charter, ongoing formal reporting requirements are included in the *Public Service Act 1999* (Cwlth), the *Financial Management and Accountability Act 1997* (Cwlth), and the *Commonwealth Authorities and Companies Act 1997* (Cwlth).²⁵
- 2.30 The Departments of the House of Representatives and the Senate (the chamber departments) provide organisational, research and analytical support to various parliamentary committees, as well as ensuring the effective operation of the Houses.
- 2.31 In addition, officers of the Senate monitor the Government's compliance with the Compact and draw to the attention of the President of the Senate any instances where new policy proposals appear to have been included within the bill for the ordinary annual services of the Government.²⁶
- 2.32 The Parliamentary Library, located within the Department of Parliamentary Services (DPS), provides research, information, analysis and advice to Members of Parliament in support of their parliamentary and representation roles. The Parliamentary Librarian is a statutory office holder required to provide timely, impartial and confidential service on the basis of equality of access for all Senators and Members.²⁷

24 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 7.

25 A summary of statutory reporting requirements is outlined in Associate Professor Charles Lawson, *Submission 21*.

26 The President then draws the matter to the attention of the Senate Appropriations and Staffing Committee and the Minister for Finance and Deregulation. While cases of the suspected inclusion of new policies in the ordinary annual services bills have been brought to the attention of the government, there has yet to be any substantive response from the Government. See, Department of the Senate, *Submission 6*, p. 5.

27 Section 38B(2), *Parliamentary Service Act 1999* (Cwlth).

- 2.33 The Library's Economics Section consists of about twelve research specialists, including trained accountants and economists, who produce publications and confidential responses to individual requests on the budget and related matters. The Economics Section also runs annual seminars and coordinates briefing material on aspects of the budget for parliamentarians. In addition, the Statistics and Mapping section produces monthly statistical publications on key economic indicators.²⁸
- 2.34 Other agencies that produce financial, budgetary and economic information used by the Parliament include the Productivity Commission, and the Australian Bureau of Statistics. These agencies were established to serve the Government of the day and have no statutory role to provide a higher level of independent advice on public expenditure for the Parliament.²⁹
- 2.35 The Auditor-General, supported by the ANAO, is tasked with providing auditing services to the Parliament and public sector entities. While the ANAO has made important contributions to public administration, service delivery and the transparency of expenditure, it does not provide forward looking analysis on proposed Government expenditure or comment on the direction of fiscal policy to the Parliament.³⁰ The Joint Committee of Public Accounts and Audit has parliamentary oversight of the ANAO in addition to its role in the scrutiny of public expenditure.

Adequacy of existing financial scrutiny assistance to the Parliament

- 2.36 Despite the reforms to Budget reporting and the detail of information published in the Budget Papers and other statements and reports, submissions have raised concerns about the ability of Parliament to effectively discharge its responsibilities in relation to the Budget and other financial matters.
- 2.37 The Public Policy Institute of the Australian Catholic University advised that ... 'parliamentary scrutiny of public expenditure is weak and inadequate; scrutiny of revenue is largely non-existent outside a campaigning period.'³¹
- 2.38 According to Mr John Nethercote some existing scrutiny mechanisms have at times become less focused on examining major issues in public

28 Ms Roxanne Missingham, Parliamentary Librarian, *Transcript of Evidence*, 1 February 2011, p. 9.

29 Noted by the Department of Parliamentary Services, Submission 4, p. 3.

30 Mr Ian McFee, Auditor-General, *Transcript of Evidence*, 28 February 2011, p. 8.

31 Public Policy Institute, *Submission 13*, p. 1.

expenditure and administration, and more focused on the pursuit of what could otherwise be considered trivial extravagances of Government.³²

- 2.39 Some major aspects of public expenditure are not scrutinised by Parliament on an annual basis:
- There is no ongoing process for the Parliament to review special appropriations which constitute about 80 per cent of total Government expenditure. Special appropriations are authorised by particular Acts, such as the *Veterans' Entitlements Act 1986 (Cwlth)*, to enable continued expenditure to be limited by entitlement. Special appropriations are scrutinised by Parliament during the initial passage of the legislation, but do not form part of the annual Budget scrutiny process.
 - Nor is there an on-going review process outside, or within the Parliament of tax expenditures or tax concessions for specified activities of taxpayers.³³ Tax expenditures are estimated to be \$113 billion in 2009-10, or around 8.8 per cent of gross domestic product.³⁴ According to Mr Stephen Bartos, 'tax expenditures are the unloved orphan of fiscal scrutiny, paid little attention and not well understood and analysed.'³⁵
 - Expenditure of estimates of the Department of the House of Representatives.³⁶
- 2.40 From the perspective of parliamentary scrutiny, there are still some weaknesses in Government financial reporting. The Budget papers are lengthy and complex documents, and in addition to the array of other reporting requirements, the task of sifting through Budget data to identify significant issues for further examination may be difficult.
- 2.41 The Department of the House of Representatives commented that:

32 JR Nethercote, in N Aroney, S Prasser, and JR Nethercote (eds.) *Restraining the Elective Dictatorship: The Upper House Solution?*, University of Western Australia Press, Perth, 2009, p. 113, extract attached to Public Policy Institute, *Submission 13*.

33 S Bartos, 'Enhancing Budget Integrity in Australia', attachment to Business Council of Australia, *Submission 17*, p. 27.

34 The Treasury, *Tax Expenditures Statement 2010*, Canberra, 2011.

35 S Bartos, *Enhancing Budget Integrity in Australia: An options paper for the Business Council of Australia*, Attachment to *Submission 17*, p. 27.

36 However, the recently established House of Representatives Standing Committee on Appropriations and Administration has been tasked, among other things, to 'consider estimates of the funding required for the operation of the Department of the House of Representatives each year' and report to the Speaker, for presentation to the House and transmission to the Minister for Finance and Deregulation. See: House of Representatives, *Standing and Sessional Orders as at 20 October 2010*, Department of the House of Representatives, Canberra, 2010, Standing Order 222A.

... while successive governments have made efforts to improve the Budget Papers, we understand that concerns have still been expressed by Members that the documents are difficult to read and that they do not have the sort of information that Members want, especially in relation to individual programs.³⁷

- 2.42 The annual economic and fiscal reports produced by Treasury under Part 5 of the Charter have no required presentation deadline and are not independently verified. The Intergenerational Report does not include long term forecasts of revenues and expenditure. It has also been suggested that the Intergenerational Report has become more political in its promotion of contentious aspects of public policy.³⁸
- 2.43 The costing of election commitments under the Charter only applies during the election period and excludes minor parties and independents. In its 2010 post election briefing for the incoming Government, Treasury noted that the process for costing election commitments, in particular, has 'not stood the test of time' and that a review of these provisions is required.³⁹
- 2.44 Executive Government is in a dominant position within the Parliament due to its access to the resources, analysis and advice of the public service, which under the *Public Service Act 1999 (Cwlth)*, serves the Government of the day.
- 2.45 The ability of the Parliament to draw on the support of its own departments in relation to financial scrutiny is limited by the resources of those departments and their other responsibilities. The DPS advised of its current challenges in regard to its operational budget.⁴⁰
- 2.46 The Parliamentary Library has limited capacity and resources to undertake detailed economic modelling and financial analysis. The work of the Library is based on open source information published by universities, Government, and the like. Certain requests made of the

37 Department of the House of Representatives, *Submission 2*, p. 1.

38 S Bartos, *Enhancing Budget Integrity in Australia: An options paper for the Business Council of Australia*, Attachment to *Submission 17*, p. 20.

39 The Treasury, *Incoming Government Brief - Red Book - Redacted - Part 1 - Revised*, 24 September 2010, Canberra, p. 3. The current costings process is discussed further in Chapter 3.

40 Department of Parliamentary Services, *Submission 4*, p. 14. Similarly, the budget of the Department of the House of Representatives has also come under pressure in recent years. See: House of Representatives Standing Committee on Procedure, *Building a modern committee system - An inquiry into the effectiveness of the House Committee system*, Canberra, 2010, p. 23.

Library cannot be answered or can only be partially answered due to a lack of available information.⁴¹

- 2.47 The Joint Standing Committee on the Parliamentary Library was of the view that funding pressures will inevitably lead to staff cuts:

The continuing pressure of increasing salary costs and the need to meet senators' and members' expectations for information resources to move with the times and to take up and offer improved online resources, combined with the efficiency dividend will lead to a further reduction in the number of staff delivering research services, simply because of the predominance of salaries in the Research Branch budget (over 96%).⁴²

The need for further financial scrutiny assistance to the Parliament

- 2.48 The committee was advised of the need for an external check on the statements and reports of the Government. The Business Council of Australia (BCA) stated that 'there is no institutionalised independent external assurance or interpretation of the "official" view of the Budget and government financials'.⁴³
- 2.49 The Parliamentary Librarian advised that 'the Library has regularly received feedback that senators and members do not receive sufficient independent analysis and advice on budget and expenditure issues'.⁴⁴
- 2.50 The Parliamentary Library's Pre-Election Policy Unit (PEPU) commissioned economic modelling on behalf of non government senators and members in the 2010 election period. An evaluation of the service identified an unmet need within the Parliament for economic modelling and recommended that the PBO 'should include the provision of the kinds of assistance offered by the PEPU in 2010, such as costing and economic modelling'.⁴⁵
- 2.51 Between 5 July 2010 and polling day on 21 August 2010, the PEPU received a number of substantial requests that were beyond the 'business as usual' capacity of the Parliamentary Library. The Parliamentary Librarian advised:

41 Department of Parliamentary Services, *Submission 4*, p. 5; Parliamentary Library, *Submission 10*, p. 2; Mr Peter Hicks, *Submission 12*, p. 2.

42 Joint Standing Committee on the Parliamentary Library, *Submission 5*, pp 3-4.

43 Business Council of Australia, Budget Submission 2011-12, attachment to *Submission 17*, p. 5.

44 Parliamentary Librarian, *Submission 10*, p. 3.

45 Mr Stephen Bartos, *Submission 18*, p. 5.

The sorts of inquiries that we were handling from the pre-election policy service were questions that were above and beyond what we had ever anticipated we would do. If clients had asked for that level of detail in the past, we would have said, 'No, we are unable to provide it with our resources.'⁴⁶

- 2.52 The Clerk of the Senate commented on the need for further assistance to the Parliament in relation to financial scrutiny and stated:

I see that there is a lot of economic and financial information that is produced by government that does not get picked up in the parliamentary process. It is prime material for good scrutiny, if that is what members of parliament want. I think there is a need for some kind of assistance for members of parliament to access that information.⁴⁷

Options for improving financial scrutiny assistance to the Parliament

- 2.53 Broad options presented to the committee for improving the assistance to Parliament can be summarised as: expanding existing mechanisms, establishing a PBO, and establishing a fiscal authority outside of the Parliament.

Improving existing mechanisms

- 2.54 One way of improving the scrutiny of public expenditure by the Parliament could be to expand the role of existing bodies. This approach was suggested as an option by the DPS.⁴⁸ Expanding existing mechanisms could be a means of complementing the work of the ANAO and the Productivity Commission.
- 2.55 An international example of building on existing mechanisms was the establishment of the Scrutiny Unit (the Unit) of the United Kingdom's House of Commons. The Unit was established in November 2002 to assist in providing additional resources and expertise to parliamentary committees in undertaking scrutiny of Government expenditure.⁴⁹
- 2.56 The main aim of the Unit is to support the Parliament through its select committees to perform its scrutiny function in the areas of Government expenditure, performance reporting and pre and post legislative scrutiny.

46 Ms Roxanne Missingham, Parliamentary Librarian, *Transcript of Evidence*, 1 February 2011, p. 9.

47 Ms Rosemary Laing, Department of the Senate, *Transcript of Evidence*, 1 February 2011, p. 35.

48 Department of Parliamentary Services, *Submission 4*, p. 7.

49 House of Commons Scrutiny Unit, *Submission 11*, paras. 5-12.

The Unit also provides staff to support the work of joint committees and House of Commons public bill committees in their examination of draft legislation.⁵⁰

- 2.57 The Unit does not undertake work for individual Members and its work is not usually published. Its main outputs are written briefings for committees. Administratively, the Unit forms part of the House of Commons Committee Directorate and is not separately funded.⁵¹
- 2.58 While the work of the Unit is valued in terms of its contribution to committee activity, it is recognised that it is a basic model of support and that its services could grow over time into a comprehensive Parliamentary Finance Office.⁵²
- 2.59 Also building on existing mechanisms, a Financial Scrutiny Unit within the existing Research and Library Service of the Northern Ireland Assembly was proposed. However, the Financial Scrutiny Unit was established as an interim measure, while a committee investigates the role of the Parliament in scrutinising Government expenditure. That committee is also investigating the need for a PBO as part of its inquiry.⁵³

A Parliamentary Budget Office

- 2.60 A range of benefits in establishing a dedicated independent fiscal body such as a PBO or external fiscal authority were suggested during the course of the inquiry. These were to:
- Provide a source of high-quality, independent analysis on Budget and related matters⁵⁴ and thereby improve the quality of parliamentary debate and enhance decision making.⁵⁵
 - Improve accountability and transparency.⁵⁶
 - Ensure integrity and sustainability of fiscal policy.⁵⁷
 - Strengthen the credibility of the Budget process.⁵⁸

50 House of Commons Scrutiny Unit, *Submission 11*, paras. 2-3.

51 House of Commons Scrutiny Unit, *Submission 11*, paras. 4, 15.

52 Comments from Hansard Society and House of Commons Liaison Committee, in House of Commons Scrutiny Unit, *Submission 11*, paras. 30-31.

53 Northern Ireland Assembly, *Submission 3*, p. 1.

54 Department of Parliamentary Services, *Submission 4*, p. 1.

55 Australian Chamber of Commerce and Industry, *Submission 9*, p. 1.

56 Department of Parliamentary Services, *Submission 4*, p. 2.

57 From covering letter to Coalition, *Submission 14*.

58 Organisation for Economic Co-operation and Development, *Submission 18*, p. 1.

- Address perceived bias in the role of Treasury and Finance in undertaking the election policy costings.⁵⁹
 - Enhance Australia's international reputation for good governance.⁶⁰
- 2.61 Unlike a fiscal authority or council, the key quality of a PBO is that it is a body dedicated to serving the needs of the Parliament. Treasury and Finance advised:
- ... a PBO could present an opportunity for members of Parliament, particularly non-government members, to have available additional analysis of the Budget, evaluation of fiscal policy settings independently from government and policy costing advice.⁶¹
- 2.62 The Clerk of the House of Representatives advised that 'the benefit from the work of the [PBO] might be to promote understanding on how the estimates are derived, including the assumptions involved and how sensitive the estimates are to these assumptions.'⁶²
- 2.63 The Clerk of the Senate advised that a PBO could support the scrutiny function of Senate estimates committees. The Clerk of the Senate stated:
- I think there is a strong possibility that a PBO could enhance the estimates process by providing analysis of budget documentation. ... It could possibly provide senators with a tailored service: 'I'm interested in X, Y and Z; please pull out what you've got on those topics and give me a briefing on where there might be some gaps in the documentation, or holes or flaws that we need to look at – all those sorts of things.'⁶³
- 2.64 The DPS was of the view that the broader impacts of a PBO could well outweigh the costs and stated:
- Even if the enhanced deliberations of Parliament were to influence the priorities for (say) 1% of the annual budget, this would amount to some \$3 billion, which is several magnitudes greater than the operating costs contemplated for a Commonwealth PBO.⁶⁴

59 Mr Stephen Bartos, *Transcript of Evidence*, 1 February 2011, p. 71.

60 S Bartos, 'Enhancing Budget Integrity in Australia', attachment to Business Council of Australia, *Submission 17*, p. 4.

61 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 1.

62 Department of the House of Representatives, *Submission 2*, p. 1.

63 Dr Rosemary Laing, Department of the Senate, *Transcript of Evidence*, 1 February 2011, pp 29-30.

64 Department of Parliamentary Services, *Submission 4*, p. 2.

- 2.65 A key message to the committee regarding the potential contribution of a PBO is the value to the Parliament of a source of high-quality analysis and advice, independent from Executive Government. The importance of establishing an independent PBO and measures to support its independence are discussed further in Chapter 4.

An external fiscal authority

- 2.66 The idea of an external fiscal authority outside the Parliament and independent from the Government was the third broad option suggested. The primary purpose of an external fiscal authority would be to assist policy development and scrutiny by indirectly serving both the Parliament and the Government.
- 2.67 BCA proposed a 'permanent independent Commission of Budget Integrity' as a Commonwealth owned company funded by the Government. It was argued that such a Commission could promote fiscal sustainability, strengthen accountability, improve the effectiveness of spending and enhance the credibility and transparency of Budget estimates.⁶⁵
- 2.68 The main focus of the proposed Commission would be to prepare fiscal sustainability reports, conduct value for money evaluations of Government programs and review Government expenditure. Further, the Commission would publish an analysis on the annual budget modelled on the current review of the defence Budget undertaken by the Australian Strategic Policy Institute.⁶⁶
- 2.69 BCA proposed that the Commission of Budget Integrity receive an annual funding of approximately \$10 million to support 30 to 40 staff. It was suggested that the funding for the Commission could be raised from reductions to tax expenditures on business income.⁶⁷

Concluding comments

- 2.70 Budget Papers remain lengthy and complex documents. The range of statutory reporting requirements, particularly since the 1990s, has resulted in more information being made available on public spending. However, linking the various reports and statements available, making sense of the

65 Business Council of Australia, *Submission 17*, p. 3.

66 Business Council of Australia, *Submission 17*, attachment, pp 3-7.

67 Business Council of Australia, *Submission 17*, p. 9.

information and identifying issues for further examination continues to present a challenge for the Parliament.

- 2.71 Governments have responded to some of these issues through the establishment of the *Charter of Budget Honesty* and Operation Sunlight. While these processes are intended to improve transparency and therefore accountability, it is recognised that the agencies charged with implementing these measures are directly responsible to the Government of the day.
- 2.72 However, the committee recognises that, over time, the task of the Parliament in effectively discharging its responsibilities in relation to scrutinising Government expenditure has become increasingly difficult. This is despite the array of Government statements and reports and previous reforms to the way information is presented.
- 2.73 Existing information scrutiny mechanisms, including those provided through the parliamentary departments, are constrained because of limited resources, competing responsibilities, limited access to Government information and the unavailability of expertise. Expanding the role of these mechanisms to provide specialised analysis and advice would dilute their primary focus.
- 2.74 The committee recognises that there is a logical limit to the time that parliamentarians can spend scrutinising the annual Budget and examining related economic issues at other times of the year and there is a similar limit to the detail of these matters that can be effectively scrutinised.
- 2.75 While it is unrealistic to expect that the Parliament could be resourced to match the level of research and expertise of Executive Government, some of the disadvantages faced by non government members in their access to high quality analysis and advice on financial matters can be addressed.
- 2.76 The requests made of the Pre-Election Policy Unit service offered through the Parliamentary Library demonstrated that there is an unmet need for additional and higher level economic analysis and modelling among non government parliamentarians. Other evidence to the inquiry suggests a further demand for simplifying the complexity of Budget Papers and government reporting and identifying issues for parliamentary scrutiny.
- 2.77 The committee considers that the current arrangements to support the role of the Parliament in exercising its responsibilities in relation to Government expenditure and fiscal policy are inadequate. The establishment of a specialised Office dedicated to providing the Parliament with high quality analysis and advice on Budget related matters is warranted.

Recommendation 1

- 2.78 **The committee recommends that the Australian Government establish a Parliamentary Budget Office dedicated to serving the Australian Parliament.**

Role of the proposed Parliamentary Budget Office

Introduction

3.1 Specialist research and analysis units or Parliamentary Budget Office (PBO) type bodies that have been established in other parliaments tend to have a broadly common mandate. Broadly this mandate has included: to better inform the quality of economic debate and contribute to financial scrutiny in the Parliament and the wider community. This chapter outlines the views presented to the committee on the mandate, functions and clients of the PBO.

Mandate

3.2 A number of contributors to the inquiry stressed the importance of providing the PBO with clear directions on its role, the scope of its work, the extent to which its work may be self-guided and its type of outputs. This section addresses the broad directions or mandate of the PBO. How the PBO's mandate should be captured, for example, in legislation, will be addressed in Chapter 4.

3.3 The Department of Parliamentary Services (DPS) advocated for the PBO to have a broad mandate to comment on legislation, and Government and non government policies.¹ Similarly, the Australian Chamber of

¹ Department of Parliamentary Services, *Submission 4*, p. 5.

Commerce and Industry (ACCI) considered that the PBO should be enabled to provide analysis 'beyond fiscal and economic forecasts'.²

- 3.4 The Public Policy Institute suggested that the mandate of the PBO cover broad matters affecting the budget including 'economic policy generally; trade and commerce (domestic and international); Government revenues and expenditures; Federal fiscal arrangements; infrastructure and capital works; productivity; wages, salaries and income support'.³
- 3.5 In its draft legislation provided to the committee, the Federal Coalition proposed that the PBO be tasked to provide objective and impartial advice and analysis on:
- (a) the Commonwealth budget and budget cycle; and
 - (b) medium and long-term budget projections; and
 - (c) the costs of policy proposals; and
 - (d) other matters as requested by Members and Senators.⁴
- 3.6 The appropriateness of the PBO to assist with the development of policy, for example, by critiquing policies and making recommendations was raised with the committee. It was suggested that while the work of the PBO would invariably be used for political purposes, an association with policy development in such direct ways could lend a partisan tone to the work of the PBO and draw it into political debate, compromising its independence and impartiality.⁵

Examples from other jurisdictions

- 3.7 The main purpose of the New South Wales (NSW) PBO is 'to provide independent costings of election promises and, outside pre-election periods, to provide independent costings of proposed policies of Members of parliament'.⁶ Notably, the legislation specifically excludes 'developing policy proposals on behalf of Members of Parliament'.⁷
- 3.8 The mandate of the United States Congressional Budget Office (CBO), as summarised by the CBO is:

2 Australian Chamber of Commerce and Industry, *Submission 9*, p. 2.

3 Public Policy Institute, *Submission 15*, p. 2.

4 Clause 3, Draft Parliamentary Budget Office Bill 2010, attachment to *Submission 14*.

5 Mr Peter Hicks, *Submission 12*, p. 2.

6 Mr Michael Daley, 'Parliamentary Budget Officer Bill 2010', NSW Legislative Assembly, *Debates*, 19 October 2010, p. X.

7 Section 13(4), *Parliamentary Budget Officer Act 2010 (NSW)*.

Objective, nonpartisan, and timely analyses to aid in economic and budgetary decisions on the wide array of programs covered by the federal budget, and

The information and estimates required for the Congressional budget process.⁸

3.9 The actual legislated mandate, outlined in the Congressional Budget and Impoundment Control Act of 1974, now Chapter 17, Title 2 of the US Code (The Congress), requires the CBO:

... to provide to the Committees on the Budget of both Houses information which will assist such Committees in the discharge of all matters within their jurisdictions, including (1) information with respect to the budget, appropriation bills, and other bills authorizing or providing new budget authority or tax expenditures, (2) information with respect to revenues, receipts, estimated future revenues and receipts, and changing revenue conditions, and (3) such related information as such Committees may request. [and provide]

- Assistance to Committees on Appropriations, Ways and Means, and Finance ...
- Assistance to other Committees and Members ...
- Assignment of office personnel to Committees and joint committees
- Reports to budget Committees ...
- Use of computers and other techniques ...
- Continuing studies and federal mandate studies ...⁹

3.10 The primary objective of the Canadian Parliamentary Budget Officer, specified under the *Parliament of Canada Act*, is to:

... provide independent analysis to the Senate and to the House of Commons about the state of the nation's finances, the estimates of the government and trends in the national economy.¹⁰

3.11 The work of the CBO and Canadian PBO strives to be policy neutral, in that their assessments generally do not seek to comment on the merits of a

8 Congressional Budget Office, 'CBO Factsheet', <http://www.cbo.gov/aboutcbo/factsheet.cfm>, viewed 8 March 2011.

9 Section 602, 2 USC.

10 Section 79.2(a), *Parliament of Canada Act*.

policy under discussion and make no normative judgements or policy recommendations.¹¹

- 3.12 The mission of the Korean National Assembly Budget Office is 'to support legislative activities through analysis and evaluation of national finances and policies'.¹² Its mandate, however, is restricted to 'the final accounts of the national budget or the administration of national funds and finance'.¹³

Functions

- 3.13 The resolution of appointment for the committee envisaged that the PBO would primarily undertake fiscal analysis, research and costings and also have a public awareness role. The preamble to the committee's resolution of appointment states:

It is proposed that the PBO will provide information to assist the Parliament in its consideration of matters related to the budget, by undertaking fiscal analysis and other relevant research and by providing policy costings advice. The PBO will also promote greater public awareness of key budget and fiscal policy issues.¹⁴

- 3.14 The committee did not limit itself to consideration of these areas. Mr Barry Anderson of the Organisation for Co-operation and Economic Development (OECD) identified eleven core functions of PBOs. These functions included the preparation of economic forecasting and projections (eg. of spending and revenue), baseline estimates, analysis of the Executive's Budget proposals, analysis of proposed legislation and policies (which may include costings), options for spending cuts and medium and long term analysis of the above functions.¹⁵
- 3.15 The committee received evidence in regard to many of these areas. Discussion on the main functions follows.

11 Parliamentary Library, *Submission 10*, p. 17; Mr Sahir Khan, Office of the Parliamentary Budget Officer, Canada, *Transcript of Evidence*, 8 February 2011, p. 13.

12 National Assembly Budget Office, 'Mission and vision', http://korea.nabo.go.kr/eng/01_about/mission.page

13 Article 3, National Assembly Budget Office Act 2003.

14 House of Representatives, *Votes and Proceedings No. 15*, 18 November 2010, p. 211; Senate, *Journals of the Senate No. 12*, 22 November 2010, p. 372.

15 B Anderson, 'The changing role of Parliament in the budget process', *OECD Journal on Budgeting*, Vol. 1, 2009, pp. 41-43.

Research and analysis

- 3.16 Mr Stephen Bartos commented that fiscal research and analysis of Government expenditure and fiscal policy are the most important functions of a PBO. In particular, it was considered that the PBO could add value to the existing range of statements and reports and other Budget commentary by providing an independent explanation and analysis of Government proposals in plain language.¹⁶
- 3.17 The Business Council of Australia (BCA) suggested the adoption of the approach taken by the Australian Strategic Policy Institute (ASPI) in its post Budget analysis of the Defence portfolio. The BCA stated:
- ... the Australian Strategic Policy Institute's annual review of the defence Budget navigates the complexity of the Budget data and synthesises the context and implications, providing an excellent example of the transparency and value of independent analysis.¹⁷
- 3.18 Established as a Commonwealth owned company in 2001, APSI's mandate is to provide independent, non partisan policy information and analysis on 'strategic and defence issues, generate new ideas for Government, and foster strategic expertise in Australia'.¹⁸
- 3.19 Research and analysis available through the Parliamentary Library includes the preparation of confidential responses to Members of Parliament and other publications. In addition, the Economics Section of the Library presents a Seminar each May to assist parliamentarians in their consideration of the Budget. The Library also produces an annual Budget briefing book which examines key features of the Budget across a number of policy areas.¹⁹

Economic forecasting

- 3.20 The Department of the Treasury (the Treasury) has primary responsibility for preparing economic forecasts on behalf of the Government. The two main forecasting rounds each year are for the May Budget and the revised forecasts of the Mid-Year Economic and Fiscal Outlook report in October

16 S Bartos, 'Enhancing Budget Integrity in Australia', attachment to Business Council of Australia, *Submission 17*, p. 28.

17 Business Council of Australia, *Submission 17*, p. 7.

18 Australian Strategic Policy Institute, 'About ASPI', <http://www.aspi.org.au/aboutaspi/aboutaspi.aspx>, viewed 8 March 2011.

19 Parliamentary Library, 'Budget Review 2010-11', <http://www.aph.gov.au/library/pubs/RP/BudgetReview2010-11/index.htm>, viewed 8 March 2011.

to January. Another two rounds of forecasting are held around June and December.²⁰

- 3.21 The Joint Economic Forecasting Group, consisting of officials from central agencies and the Reserve Bank of Australia, provide input into the development of forecasts. Other line departments contribute to forecasts where relevant. Key indicators subject to forecasting include economic growth, inflation, employment, household consumption, private and public demand, exports and imports.²¹
- 3.22 Forecasting is a costly and resource intensive exercise requiring technical staff to maintain an economic model and use it skilfully.²²

Examples from other jurisdictions

- 3.23 The purpose of the United Kingdom of Great Britain's (UK) Office for Budget Responsibility (OBR) is to produce the Budget forecast for the Government and provide independent assessments of the Government's ability to achieve its own fiscal goals, through the publication of a Budget and Pre-Budget Report. The OBR is an interim body. A parliamentary committee has made recommendations to enhance a future permanent body.²³
- 3.24 The Netherlands Bureau for Economic Policy Analysis (also known as the Central Planning Bureau or CPB) provides quarterly short term forecasts including the Central Economic Plan, published every Spring, and the Macro Economic Outlook, published jointly with the Annual Budget.²⁴
- 3.25 The Canadian PBO prepares projections based on average private sector forecasts and provides its analysis with the framework in which it was produced. The Canadian Parliamentary Budget Officer explained:

... we provide our projections; we provide detailed assumptions behind those projections; we do risk analysis based on track

20 The Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 27.

21 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 5; S Bartos, 'Enhancing Budget Integrity in Australia', attachment to Business Council of Australia, *Submission 17*, p. 16.

22 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 4.

23 House of Commons Treasury Committee, *Office for Budget Responsibility, Fourth Report of Session 2010–11*, Volume 1, 16 September 2010.

24 Netherlands Bureau for Economic Policy Analysis, 'What does CPB do?', <http://www.cpb.nl/en/what-does-cpb-do>, viewed 8 March 2011.

records of forecasting one, two and five years out; and we analyse the structural and cyclical nature of these fiscal balances.²⁵

- 3.26 The CBO produces a range of medium and long term forecasts. For example CBO publishes annual Federal Budget forecasts covering the following ten years, based on current policy settings. The Joint Committee on Taxation specialises in estimating the revenue impacts of proposed changes to tax laws.²⁶

Suggested role of the PBO

- 3.27 The BCA highlighted a need for more comprehensive and regular fiscal forecasting from an alternative source to Treasury. It was suggested that additional forecasting could complement the Intergenerational Report, which is required to be produced under the *Charter of Budget Honesty* (the Charter).²⁷
- 3.28 However, opinion was divided as to whether the PBO should undertake an economic forecasting role. Those in support of the PBO performing a forecasting role included the ACCI and the Federal Coalition²⁸
- 3.29 Treasury and Finance alerted the committee to the significant resources the PBO would require to undertake forecasting and questioned the public value in duplicating the Departments' work in this area.²⁹
- 3.30 Mr Stephen Bartos advised against the PBO taking on a forecasting role and stated:

I think it would clearly be a waste of resources for a PBO or an independent outside body to try and duplicate the efforts of Treasury in doing those economic forecasts. It is very resource intensive and, in any case, they come down to a matter of judgments in relation to the assumptions that you make, particularly on behavioural responses to particular government policies. So, almost inevitably, if somebody else tried to do a similar set of forecasts, there would be minor differences on all sorts of those forecasts. Even though they are only a matter of slight differences in assumptions, we know that the media would

25 Mr Kevin Page, Office of the Parliamentary Budget Officer, Canada, *Transcript of Evidence*, 8 February 2011, p. 10.

26 Civil Liberties Australia, *Submission 7*, p. 2.

27 Business Council of Australia, *Submission 17*, p. 6.

28 Australian Chamber of Commerce and Industry, *Submission 9*, p. 2; Clause 7(1)(a)(ii) Draft Parliamentary Budget Officer Bill, attachment to Federal Coalition, *Submission 14*.

29 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 4.

beat them up into some sort of scandal. You do not want that. It is dangerous for the reputations of both Treasury and the Parliamentary Budget Office.³⁰

3.31 An alternative to undertaking its own forecasting would be for the PBO to provide independent validation and commentary on Government forecasting. It was suggested that this role 'would provide a level of independent assurance that would improve both public and market confidence in fiscal governance in Australia.'³¹

3.32 The need for analysis and commentary on Government forecasting was supported by the Clerk of the House of Representatives who stated:

One of the major issues during each Budget is the overall performance of the economy and the Government's proposed fiscal program as a whole. While these matters do receive some coverage in Budget debates, discussion may be more comprehensive if Members had access to some additional quantitative analysis on how Government projections had been arrived at and their sensitivity to assumptions.³²

Costings of proposals

3.33 Treasury and Finance have primary responsibility for the preparation of costings on policy and legislative proposals for the Government. Relevant line departments assist the central agencies in conducting this work. There is currently no statutory process to enable the proposals of non government parliamentarians to be costed by those departments outside the election period.

3.34 However, the agreements between the current Government and the Australian Greens and three Independent Members of Parliament negotiated following the 2010 election provide those non government signatories access to Government departments, via the Office of the Prime Minister, for policy analysis and costing.

3.35 For example, the Government's Agreement with the Australian Greens contains the following provision:

... proposals may be formally submitted to the Office of the Prime Minister and forwarded to the appropriate Department and Minister for analysis. Where the proposal is likely to involve costs,

30 Mr Stephen Bartos, *Transcript of Evidence*, 1 February 2011, p. 74.

31 Mr Stephen Bartos, *Submission 18*, p. 2.

32 Department of the House of Representatives, *Submission 2*, p. 1.

it may also be sent to the Department of Treasury, and the Treasurer, and the Department of Finance and Deregulation, and the Minister for Finance, for costing.

i. The number of proposals that may be considered in this way is not limited in number but the Parties will ensure that the workload arising is reasonable

ii. Every endeavour will be made to provide required advice within ten business days

iii. The Parties acknowledge that during the six week period leading up to the Federal Budget, the turnaround time may be greater than ten business days.³³

3.36 The policy costings prepared for the Australian Greens and Independents in accordance with the agreements are not routinely published, although some have been released following requests made under the *Freedom of Information Act 1982* (Cwlth).

Election policy costings

3.37 The Charter provides for the costing of election commitments during the caretaker period for a general election. Under the Charter, the Prime Minister and the Leader of the Opposition, through the Prime Minister, may request the Secretaries of Treasury and Finance to prepare costings of publicly announced Government policies.³⁴

3.38 The Charter requires that each costing is to be publicly released as soon as practicable after each request is made. Other Commonwealth bodies have a statutory requirement to assist with the preparation of costings where necessary and subject to other laws. A total of 128 costings were released by Treasury and Finance for the 2010 Federal election.³⁵

3.39 According to the Charter, the timeframe in which costings may be requested is during the caretaker period, defined by the act as 'the period starting with the issue of the writ for the election and ending at the close of the poll on the polling day for the election'.³⁶

3.40 This differs with the guidance on caretaker conventions issued by the Department of the Prime Minister and Cabinet, which provides that the

33 The Australian Greens and the Australian Labor Party ('The Parties') – Agreement, 1 September 2010, part 5.1(f).

34 Section 29, *Charter of Budget Honesty Act 1998* (Cwlth).

35 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 10.

36 Section 3(1), *Charter of Budget Honesty Act 1998* (Cwlth).

caretaker period 'continues until the election result is clear or, if there is a change of Government, until the new Government is appointed.'³⁷

- 3.41 Guidelines for the costing of election commitments specify that costings should be prepared in accordance with the methodologies used to prepare the Budget statements and fiscal reports required by the Charter. Costings are to focus on 'the effect of a policy on the Australian Government's key Budget aggregates' and may include 'behavioural responses, but will generally not incorporate the second round effects' of a policy.³⁸
- 3.42 The election costings provisions were designed to reduce the incumbency advantage of a Government by enabling the opposition to have access to the resources of the public service for costings on the same basis as the Government during the election period.³⁹ The purpose of these provisions was to 'allow the electorate to be better informed of the financial implications of election commitments.'⁴⁰
- 3.43 During the election period, Treasury and Finance also cost other policies which have not been submitted under the Charter. These costings, which are not usually published, are produced for the purpose of advising an incoming Government on the cost of its election commitments.⁴¹
- 3.44 The Parliamentary Library was also involved with costings work at the 2010 Federal election. This initiative was funded by a Budget allocation of \$0.5 million in 2010-11 and in 2013-14 'to assist non government parties in developing policies in the lead-up to federal elections'. The allocation was made as part of the Operation Sunlight reform agenda.⁴²
- 3.45 A Pre-Election Policy Unit (PEPU) was established within the Library to give effect to the new measure. The PEPU worked within principles established by the Joint Standing Committee on the Parliamentary Library

37 Department of Prime Minister and Cabinet, *Guidance on Caretaker Conventions*, DPMC, Canberra, 2010, p. 1. 'In summary, the conventions are that the government avoids: making major policy decisions that are likely to commit an incoming government; making significant appointments; and entering major contracts or undertakings' (p. 1).

38 Departments of the Treasury and of Finance and Deregulation, *Charter of Budget Honesty Costing Election Commitments: Guidelines issues jointly by the Secretaries to the Departments of the Treasury and of Finance and Administration*, Canberra, 2010, pp 4-5.

39 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 10.

40 P Costello, 'Charter of Budget Honesty Bill 1996 [2] - Second reading', House of Representatives, *Debates*, 5 December 1997, p. 12 and 234.

41 Mr Nigel Ray, Department of the Treasury, *Transcript of Evidence*, 1 February 2011, p. 48.

42 Australian Government, Budget Paper no. 2, Budget Measures 2010-11 - Part 2: Expense Measures, 2010, p. 282.

and commissioned economic modelling from external consultants on behalf of non government Members.⁴³

3.46 Those reports commissioned were provided to the requesting Members on a confidential basis on the understanding that they were to be published on the Library website in the event that they were referred to on the public record by a party or parliamentarian. Some of those reports were used as costings to support certain election commitments and were subsequently published.⁴⁴

3.47 An evaluation of the service provided by the PEPU was undertaken in October 2010. The first two recommendations of the evaluation reflected a need for an ongoing costings and modelling service. These were:

Recommendation One: In the event a parliamentary budget office (PBO) is established, its brief should include provision of the kinds of assistance offered by the PEPU in 2010, such as costing and economic modelling.

Recommendation Two: Reflecting the iterative, interactive nature of policy development, this assistance should be available to parliamentarians on an ongoing basis.⁴⁵

Issues with the current election policy costing process

3.48 Many costings are not prepared prior to the election as parties can submit their costings requests very late in the election period. This has the effect of making it impossible for the departments to release a costing before polling day. One possible reason for there being a delay in requesting certain costings is that parties may seek political advantage by avoiding public scrutiny.

3.49 Rather than enabling the public to be better informed about the cost of election promises, it has been reported that the public nature of the costings process places pressure on Oppositions to withhold policies during the campaign period, so that the costings process cannot be used against them.⁴⁶

43 Joint Standing Committee on the Parliamentary Library, *Submission 5*, pp 7-9.

44 Parliamentary Library, 'Pre-Election Policy Unit', <http://www.aph.gov.au/library/pubs/PEPU/index.htm>, viewed 8 March 2011.

45 S Bartos, *Evaluation of the Pre-Election Policy service*, Australian Parliamentary Library, LECC, Canberra, 2010, p. 25.

46 Editorial, *Australian Financial Review*, 6 September 2010, p. 62.

- 3.50 Another reason for delaying the submission of policies for costings relates to the availability of the latest fiscal and economic estimates, so that they may be incorporated into the policy development process. Those estimates, in the form of the pre-election economic and fiscal outlook report, are not released until ten days following the issue of writs for an election.⁴⁷
- 3.51 In its response to the Operation Sunlight Report, the Government acknowledged the bias inherent within the costings provisions of the Charter. The Government stated:
- Policies of governments and oppositions are not costed fairly under the Charter. The Charter is heavily biased in favour of the government of the day including the release of the Pre-Election Economic and Fiscal outcome up to 10 days into the election campaign with no opportunity for independent scrutiny. Access to costing resources for the Opposition only applies during the heat of an election campaign whereas the Government has access year-round.⁴⁸
- 3.52 Moreover, the timeframe for submitting costings under the Charter does not allow for iterative development of policy as Mr Stepehn Bartos explained:
- ... during an election campaign is the wrong time for getting policies costed, because development of policy is an iterative process where people want to test ideas and see how much they are going to cost. If they are going to be hugely expensive and unsustainable, they want to amend those ideas and go through them again.⁴⁹
- 3.53 As part of Operation Sunlight the Government committed to amending the Charter to extend the period during which the Government and Opposition could request costings to 'within 12 months of the last day for issue of writs for a general election to the end of the caretaker period'.⁵⁰
- 3.54 A previous proposal to amend the Charter included allowing Oppositions to directly request costings from the secretaries of Treasury and Finance, rather than make a request through the Prime Minister, and to provide
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47 Part 7, *Charter of Budget Honesty Act 1998* (Cwlth).

48 Australian Government, *Operation Sunlight: Enhancing Budget Transparency*, December 2008, p. 15.

49 Mr Stephen Bartos, *Transcript of Evidence*, 1 February 2011, p. 71.

50 Australian Government, *Operation Sunlight: Enhancing Budget Transparency*, Department of Finance and Deregulation, December 2008, p. 16.

that the departments' dealings with the Opposition are not to be disclosed to the Government.⁵¹

3.55 However, extending the role of Treasury and Finance in providing costings, particularly during the non-election period, places those departments in a conflicted position. As noted in the Review of Operation Sunlight:

... potential conflict could arise for the public service if it had to balance two simultaneous requests from the Government and Opposition. As many of the requests for costing outside the caretaker period would be for policies that have not yet been announced, the current approach of receiving requests via the Prime Minister would not be appropriate.⁵²

3.56 Minor parties and Independent Members of Parliament do not have access to the costings process under the Charter. The exclusion of minor parties from the Charter's costings provisions compounds their existing disadvantages in relation to their staffing resources.⁵³

3.57 The Review of Operation Sunlight recommended amending the Charter to implement the Government's proposed expanded timeframe for costings and to enable 'reasonable access' to costings for minor parties.⁵⁴ The Government noted the recommendation.⁵⁵

Costings in other jurisdictions

3.58 As previously noted, the main purpose of the NSW PBO is to prepare election policy costings. The NSW *Parliamentary Budget Officer Act 2010* provides that a parliamentary leader or their nominee may request the costing of their own policies 'that are announced or proposed for implementation after the next State general election'.⁵⁶

3.59 Election policy costings may be requested during the 'pre-election period', defined as the period between the day of the last State Budget before the

51 Mr Tanner, 'Charter of Budget Honesty Amendment Bill 2005, First Reading', House of Representatives, *Debates*, 31 October 2005, p. 8.

52 Mr Andrew Murray, *Review of Operation Sunlight: Overhauling Budgetary Transparency*, June 2008, p. 54.

53 Mr Andrew Murray, *Review of Operation Sunlight: Overhauling Budgetary Transparency*, June 2008, p. 53.

54 Mr Andrew Murray, *Review of Operation Sunlight: Overhauling Budgetary Transparency*, June 2008, p. 54.

55 Australian Government, *Commonwealth Government Response: Operation Sunlight Overhauling Budget Transparency*, June 2008, p. 11.

56 Section 18, *Parliamentary Budget Officer Act 2010* (NSW).

election and the day of the election.⁵⁷ The costing is to be provided to the parliamentary leader who requested the costing and may be publicly released by that leader, or by the PBO once it has been notified that the policy concerned has been publicly announced, or with the release of the Budget Impact Statement (BIS).⁵⁸

- 3.60 In addition, the PBO is to prepare BISs for all costed policies in the pre-election period covering those requests made by each parliamentary leader. The BISs are to include the total net financial impact of all costed policies.⁵⁹
- 3.61 Outside the pre-election period, the NSW Parliamentary Budget Officer Act enables Members of Parliament to request the PBO to 'prepare a costing of a proposed policy', and 'any analysis, advice or briefing of a technical nature on financial, fiscal and economic matters (including in relation to the costing of proposals included in the State budget)'.⁶⁰ In relation to such costing requests, the documents prepared by the PBO may only be provided to the Member who made the request.⁶¹
- 3.62 There is no statutory requirement for costings or advice to be publicly released. The Clerk of the NSW Legislative Assembly advised that 'it may be appropriate for information on the number of requests made for such work and the types of requests to be noted in the Officer's annual report which is required to be furnished to both of the designated committees in accordance with section 15 of the Act'.⁶²
- 3.63 The Netherlands CPB offers political parties analysis of the economic implications of their policies well in advance of elections, but does not conduct 'last minute' costings in the non-election period.⁶³ On request, it also provides the same service for parties following an election where the formation of the new Government is under negotiation.⁶⁴
- 3.64 The CBO produces cost estimates for almost every bill reported by Congressional committees. Those estimates consider the implications of the bill on revenue and expenditure over the following five years or more.
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57 The NSW budget cycle and fixed parliamentary terms provide a standard pre-election period of about two months.

58 Section 22, *Parliamentary Budget Officer Act 2010* (NSW).

59 Section 23, *Parliamentary Budget Officer Act 2010* (NSW).

60 Section 13(1), *Parliamentary Budget Officer Act 2010* (NSW).

61 Section 17(2)(b), *Parliamentary Budget Officer Act 2010* (NSW).

62 Clerk of the Legislative Assembly (NSW), *Submission 19*, p. 5.

63 Department of Parliamentary Services, *Submission 4.1*, p. 8.

64 Netherlands Bureau for Economic Policy Analysis, 'What does CPB do?', <http://www.cpb.nl/en/what-does-cpb-do>, viewed 8 March 2011.

Cost estimates of bills may also be prepared on the request of individual Members, although this service is limited to the availability of resources.⁶⁵

- 3.65 The UK's Institute for Fiscal Studies, a non government economic research institute, publishes its analysis of election policy proposals put forward by the three main political parties in their election platforms. Publications covering the three parties for the 2010 general election included proposals on environmental policies, families and children, and pensions and retirement policy.⁶⁶
- 3.66 The *Parliament of Canada Act* provides for the Parliamentary Budget Officer to 'estimate the cost of any proposal that relates to a matter over which Parliament has jurisdiction' on the request of a Member of Parliament or its committees.⁶⁷
- 3.67 In practice, the Canadian PBO undertakes costings on request for Private Members' Bills or on Government programs. Major costing reports on Government programs include engagement in Afghanistan and Aboriginal education infrastructure. It does not cost the election commitments for political parties.⁶⁸

Role for the Parliamentary Budget Office in policy costings

- 3.68 A particular challenge, should the PBO undertake policy costings, would be the significant workload and resourcing required to fulfil this function. Treasury and Finance indicated that the costings process involved the work of about 300 staff during the election period.⁶⁹
- 3.69 In addition to the number of staff needed, costings work generally requires high level skills, technical knowledge and data, the application of professional judgement and specialised economic models. Treasury and Finance stated:

... costings require highly experienced specific professional skills, access to and familiarity with specialised data, as well as 'off the

65 Congressional Budget Office, 'Background on cost estimates', <http://www.cbo.gov/costestimates/CEBackground.cfm>, viewed 8 March 2011.

66 Institute for Fiscal Studies, 'About IFS', <http://www.ifs.org.uk/aboutIFS>, viewed 8 March 2011.

67 Section 79.2(d), *Parliament of Canada Act*.

68 Dr Mostafa Askari, Office of the Parliamentary Budget Officer, Canada, *Transcript of Evidence*, 8 February 2011, p. 13.

69 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 10.

shelf' and tailored financial and economic models designed for specific public policy costings.⁷⁰

3.70 Treasury and Finance also identified a number of risks for the PBO in undertaking election costings while the current Charter costings processes remain in place. These were identified as:

... having two separate publicly funded sets of costing arrangements duplicating each other's role would not be cost-effective from a public finance perspective, may create confusion, and is unlikely to be feasible in any case, certainly in the short term, given that many of the necessary resources are already in short supply.⁷¹

3.71 Treasury and Finance considered that a more appropriate role for the PBO may be to analyse costings of major Government programs, provide costings to non government parliamentarians outside the election period, and retain the Charter's costings provisions during the election period.⁷²

3.72 Given that Treasury and Finance already undertake costings of a wider range of policies than those submitted under the Charter, it is likely that the election costings prepared by the PBO may also be informally costed by those departments. In addition to the issue of duplication, it is probable that the cost of a given policy determined by the PBO would differ from that of Treasury and Finance, given the use of different methodologies, assumptions, judgements and data used.

3.73 Furthermore, compared with the resources of the public service, costings prepared by the PBO may not have the same status. The Department of Finance explained:

The question is about the status of the costing and whether or not that costing is the result of the same level of rigour, experience and judgment and has the same standing in a decision-making process as you would get if you went to a costing by the departments.⁷³

3.74 A risk of enabling the PBO to undertake costings is that following an election, Treasury and Finance may determine that the true cost of a party's election platform is quite different than that estimated by the PBO

70 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 10.

71 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 10.

72 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 10.

73 Mr Stein Helgeby, Department of Finance and Deregulation, *Transcript of Evidence*, 1 February 2011, p. 66.

during the election period. This could lead to an unedifying debate about whose costings are most accurate.⁷⁴

- 3.75 A number of suggestions were put to the committee to enhance the rigour of costings undertaken by the PBO and promote consistency with current processes undertaken by Treasury and Finance.
- 3.76 The Auditor-General suggested that the PBO may consider providing a draft of its estimates to the relevant Government department for comment. This approach is similar to the ANAO's current process of providing draft audit reports to agencies, so that their comments can be incorporated into the final product. The ANAO requires agencies to respond to draft reports with 28 days.⁷⁵
- 3.77 Alternatively, the PBO could act as a confidential intermediary between parliamentarians and Government departments to gain assistance with policy costings outside the election period. While dependent on the cooperation of the Government, this process could enable the preparation of costings using departmental data and methodologies, consistent with that currently used by Treasury and Finance.⁷⁶
- 3.78 Another approach put forward was that the PBO should not undertake costings, but work with parliamentarians in developing their proposals so that they are well developed when they are formally submitted to Treasury and Finance for costing. The PBO could also provide independent analysis on the costings prepared by departments.⁷⁷

Promotion and public awareness role

- 3.79 A broader role of education was also envisaged for the PBO in the committee's resolution of appointment. DPS and Treasury and Finance supported inclusion of a broader educational role for the PBO.⁷⁸
- 3.80 Treasury and Finance suggested the PBO's education role could be primarily focused on Members of Parliament. Treasury and Finance stated:

74 S Bartos, 'Enhancing Budget Integrity in Australia', attachment to Business Council of Australia, *Submission 17*, p. 23.

75 Mr Ian McFee, Australian National Audit Office, *Transcript of Evidence*, 28 February 2011, p. 5.

76 S Bartos, 'Enhancing Budget Integrity in Australia', attachment to Business Council of Australia, *Submission 17*, p. 23.

77 Professor Scott Prasser, Public Policy Institute, *Transcript of Evidence*, 28 February 2011, p. 20.

78 Department of Parliamentary Services, *Submission 4.1*, p. 4

In view of the scope for an educative role for a PBO, there may be merits in a PBO producing: regular publications such as an annual post-Budget commentary which analyses the Government's budget papers; research items covering relevant topics on budget and fiscal policy issues; and educational products and seminars for members of parliament.⁷⁹

3.81 According to Mr Stephen Bartos:

For most of the community budgeting remains a mysterious 'black box' process inside Government. A feature of a healthy democracy is informed debate on important policy issues; economic policy should not be an exception.⁸⁰

3.82 Another benefit of a public awareness role offered to the committee was that the PBO could raise important issues that have been left off the political agenda. Mr Stephen Bartos stated:

The independent body would be able to raise awareness of uncomfortable or difficult fiscal questions and propose tough options for dealing with them, without the Government necessarily having to take sides in that debate or commit itself prematurely to unpopular causes.⁸¹

Other suggested functions

3.83 The Clerk of the Senate advised the committee that a PBO could play a role in identifying inappropriately classified items in Appropriation Bill No. 2, 'although it would be preferable that such analysis continues to be undertaken by Senate officers who bring institutional knowledge to the task.'⁸²

3.84 Associate Professor Charles Lawson proposed that the PBO should be tasked to set the requirements and standard for the information provided to the Parliament by the Executive. Moreover, the PBO should regulate the Executive's compliance with those standards. It was argued that this would ensure that the Parliament receives the information that it needs to fulfil its scrutiny and financial responsibilities.⁸³

79 Departments of the Treasury and of Finance and Public Administration, *Submission 16*, pp 7-8.

80 S Bartos, 'Enhancing Budget Integrity in Australia', attachment to Business Council of Australia, *Submission 17*, p. 4.

81 S Bartos, 'Enhancing Budget Integrity in Australia', attachment to Business Council of Australia, *Submission 17*, p. 35.

82 Department of the Senate, *Submission 6*, p. 5.

83 Associate Professor Charles Lawson, *Submission 21*, p. 1.

Clients of the Parliamentary Budget Office

- 3.85 The terms of reference for the inquiry suggest that the PBO is intended to serve the Parliament and that individual Members of Parliament may request 'non-routine' work of the PBO. The *Agreement for a Better Parliament* provides that the PBO is to serve all Members of Parliament, especially non government Members.⁸⁴
- 3.86 There are many ways in which the PBO could serve the Parliament, the Houses, all Members, non government Members and possibly committees. There may also be reasonable grounds to restrict certain services to certain categories of Members such as non government Members, party leaders and Independent Members.

Members of Parliament

- 3.87 The *Parliamentary Service Act 1999* (Cwlth) requires the Parliamentary Librarian to serve the Parliament 'on the basis of equality of access for all Senators, Members of the House of Representatives, parliamentary committees and staff acting on behalf of Senators, Members or parliamentary committees'.⁸⁵
- 3.88 The Parliamentary Librarian suggested that its model of equality of access for all is an appropriate framework for the PBO to serve the Parliament.⁸⁶ This was supported by the Joint Standing Committee on the Parliamentary Library.⁸⁷ The Federal Coalition's draft legislation also provided for responses to the 'requests of individual Members and Senators'.⁸⁸
- 3.89 While all parties and Independent Members require the research services of the Parliamentary Library, in practice, it is the non government Senators and Members who have the greater demand for the service.⁸⁹
- 3.90 The Clerk of the Senate was of the view that all Senators and Members should have access to the PBO:

84 Agreement for a better Parliament, para 16.1.

85 Section 38B(2)(c), *Parliamentary Service Act 1999* (Cwlth).

86 Parliamentary Library, *Submission 10*, p. 8.

87 Joint Standing Committee on the Parliamentary Library, *Submission 5*, p. 5.

88 Clause 7(1)(c), Draft Parliamentary Budget Officer Bill, attachment to Federal Coalition, *Submission 14*.

89 Parliamentary Library, *Submission 10*, p. 8.

On the basis that parliamentary services are provided on an equal basis to all members and senators, I do not think you could put any restrictions on the service the PBO might offer...⁹⁰

- 3.91 The NSW PBO legislation restricts requests for election policy costings to 'parliamentary leaders'. The Act defines a parliamentary leader as the Premier, the Leader of the Opposition, a parliamentary leader of a registered party and an Independent Member of Parliament not elected as an endorsed candidate of a registered party.⁹¹

Parliamentary committees

- 3.92 There are a number of jurisdictions where PBOs have formal relationships (created through legislation) with parliamentary committees and public sector agencies. The aim of having formal relationships with committees allows the PBO to support the work of the Parliament by contributing to committee inquiries through providing: submissions, financial analysis and appearing as a witness.
- 3.93 The OECD stated that the relationship between the PBO and parliamentary committees should be legislated for and that the PBO should principally serve committees and subcommittees rather than individual Members. In addition, the PBO 'should have the right to testify before committees of parliament.'⁹²
- 3.94 The Canadian PBO has formal relationships with three parliamentary committees in addition to the estimates committees. These committees are: the Standing Committee on Finance of the House of Commons; the Standing Committee on National Finance of the Senate; and the Standing Committee on Public Accounts of the House of Commons. These committees can request the Canadian PBO to undertake financial research and analysis.⁹³ The Canadian PBO can also provide such information to a committee of either House of Parliament.⁹⁴
- 3.95 The Scrutiny Unit attached to the House of Commons in the UK has the aim of assisting select committees of the House to perform their financial and analytical scrutiny function, by providing expert staff to assist with inquiries and research as needed. The Scrutiny Unit also provides general research support 'when the committees' own staff teams are over-

90 Dr Rosemary Laing, Department of the Senate, *Transcript of Evidence*, 1 February 2011, p. 30.

91 Section 3(1), *Parliamentary Budget Officer Act 2010* (NSW).

92 Organisation for Economic Co-operation and Development, *Submission 8*, p. 2.

93 Office of the Parliamentary Budget Officer, Canada, *Exhibit 1*, p. 6.

94 Office of the Parliamentary Budget Officer, Canada, *Exhibit 1*, p. 14.

stretched, ... [and] for the Liaison Committee, which consists of the Chairs of the main select committees.⁹⁵

3.96 In contrast to PBOs with legislated relationships with committees, under its establishing Act, the NSW PBO is not enabled to work for the committees of the Parliament.⁹⁶

3.97 There were also a number of suggestions in regard to creating a legislated relationship between the PBO and the Joint Committee of Public Accounts and Audit (JCPAA) for the purpose of parliamentary oversight, similar to that in place between the Auditor-General and the JCPAA. This issue is discussed in more detail in Chapter 4.

Concluding comments

Mandate

3.98 The committee considers that the Parliamentary Budget Office (PBO) should have a mandate to support and inform the Parliament by providing independent, non-partisan and policy neutral analysis on the annual Budget, Government expenditure, fiscal policy and the financial implications of proposals.

Functions

3.99 In fulfilling this mandate, it is further proposed that the key functions of the PBO are to prepare responses to the requests of individual Senators, Members and parliamentary committees, make formal contributions to committee inquiries, initiate its own work in anticipation of the interests of its clients, and prepare costings of election commitments during the caretaker period.

3.100 Given the resource intensive nature of the work and the need to minimise the duplication of work produced elsewhere, the PBO should not be required to produce its own fiscal forecasts. Rather, it should provide analysis of the Government's fiscal forecasts, commenting on the assumptions, judgements and overall reliability of Government assessments.

95 House of Commons Scrutiny Unit, *Submission 11*, p. 1.

96 Section 13(4), *Parliamentary Budget Officer Act 2010* (NSW).

3.101 Between elections, the routine research and analytical work of the PBO should include the estimation of costs of proposed policies and draft legislation. It is expected that the preparation of costings by the PBO in the non-election period will provide a process for the iterative development of policy and enhance proposals well before elections are announced.

Costings of proposals

3.102 The committee found that the election costings provisions of the *Charter of Budget Honesty Act 1998 (Cwlth)* (the Charter) has significant shortcomings in enabling the electorate to be better informed about the financial implications of election commitments. Key limitations of the Charter include:

- The limited time available for the submission of costings requests and an inability for the opposition to have their policies costed at any other time, severely restricts the opportunity for the preparation of costings;
- The requirement that requests are made through the Office of the Prime Minister does not engender the trust of the Opposition;
- The requirement that proposals must be publicly announced and that costings are published does not enable the iterative development of policies; and
- Minor parties and Independent Members of Parliament are excluded from the Charter processes altogether, compounding other disadvantages they face in resourcing (although agreements with the Government enable limited support in this area for some minor party and Independent parliamentarians).

3.103 These limitations amount to clear disincentives for the non government parties to use the Charter provisions to help promote their policy platform to the electorate with transparency and accountability during the campaign period. The level of bias in favour of the incumbent Government of the present costings system is evident, especially given the ability of the Government to access confidential costings from Treasury and Finance on an ongoing basis.

3.104 The quality of political debate during election time suffers as a consequence, as voters go without an independent and potentially very valuable source of information.

3.105 However, the committee is faced with some dilemmas in addressing the question of costings. It is recognised that the resources required to produce rigorous costings is significant and would be costly to reproduce

by the PBO. In any case, the public benefit of duplicating the process would be highly questionable considering there would inevitably be differences in estimates produced by the PBO and those of Treasury and Finance. A public debate over the technicalities of costings methodologies does not serve the public interest.

- 3.106 Further, the role of Treasury and Finance would be conflicted if it were to expand its costings role during the non-election period. It is accepted that the legitimate role of Government departments is to serve the Executive. The committee also acknowledges the expertise and the rigour that Treasury and Finance bring to the costings process.
- 3.107 The committee has chosen to focus on improving the current costings process through a series of new measures to provide incentives for parties to use a costings process for the ultimate purpose of enhancing transparency and accountability of election campaigns.
- 3.108 It is accepted that minor parties and Independent Members of Parliament have an interest in having access to the Charter's provisions on election costings. There is also a public interest in providing access to minor parties and Independents following their rise in electoral support over recent decades.
- 3.109 Broadening the eligibility for election costings by the departments would have major resource implications. In order to limit the likely demands on Treasury and Finance for election period costings for minor parties, the committee considers that costings under the Charter should be available for political parties with a set minimum number of elected Members.
- 3.110 The *Parliamentary Allowances Act 1952 (Cwlth)* and the *Parliamentary Entitlements Act 1990 (Cwlth)*, provides additional resources for leaders of recognised non government political parties with five or more parliamentary representatives.⁹⁷ The committee considers that five parliamentary representatives is an appropriate benchmark for eligibility to the Charter's costings processes.
- 3.111 This would effectively legislate, for the election period, the current arrangements for costings negotiated between the Australian Greens and the Government.
- 3.112 The Charter currently restricts the requests for costings to the caretaker period, ending on polling day, rather than the conventional ending of the caretaker period when the election result is clear or when the new

97 Schedule, *Parliamentary Allowances Act 1952 (Cwlth)*, Section 3, *Parliamentary Entitlements Act 1990 (Cwlth)*.

Government is appointed. This prevents the costings process from being used following an election, in the period were the formation of a new Government might be under negotiation by political parties and Independent Members.

- 3.113 The committee considers that there is value in extending the ability to request costings to the period following polling day to the formation of the Government, to enable transparent and accountable negotiations in the event of a future hung Parliament.
- 3.114 Given the current disincentives for the Opposition to cost policies under the Charter and the proposed exclusion of minor parties with less than five Members, and Independent Members, the committee believes that costings would more likely be requested if there was to be an alternative source providing costings. The committee is therefore recommending that the PBO be empowered to prepare election costings, on request, for publicly announced election commitments.
- 3.115 While the costings produced by the PBO may in some cases lack the rigour of those produced by Treasury and Finance, it is considered that there is a public benefit from increased accountability and transparency if the PBO were to offer an election costing service. While the availability of accessing costings through the PBO fulfils obligations under the Charter, in practice, the availability of an alternative policy costings service may result in the Government continuing to use Treasury and Finance for costings, while non government parliamentarians may prefer to use the PBO.
- 3.116 The demand for the election costings service of the PBO could be confined in a similar way to that of the NSW Parliamentary Budget Officer, which would limit the service to parliamentary leaders and Independent Members who were originally elected and are seeking re-election, as Independent Members, without the endorsement of a registered political party.
- 3.117 The committee is of the view that individual election commitments should not be costed by both the PBO and Treasury and Finance. To avoid duplication, it is expected that the PBO and Treasury and Finance would consult prior to the preparation of each costing.
- 3.118 Finally, the committee recognises that the functions attributed to the mandate of the PBO may produce a significant workload. While the work plan and the priorities of the PBO are discussed in Chapter 4, the provision of election costings should be clearly established as the absolute priority during the caretaker period.

Self-initiated work

- 3.119 In addition to preparing responses to individual requests for research and analysis from Senators, Members and committees, the PBO should be able to initiate its own work, consistent with its mandate, in anticipation of issues likely to be of interest to its clients.
- 3.120 Examples of self-initiated work could include regular analytical reports following key Government publications such as the annual Budget and the statements required under the Charter. It is expected that the publication of material produced by the PBO will perform a broader public awareness role.

Members of Parliament

- 3.121 The PBO should be accessible to every Senator and Member for research, analysis and advice in relation to the matters covered in its mandate, and respond to individual requests. It is expected that non government parliamentarians would have the greater demand for the PBO's service.

Parliamentary committees

- 3.122 The PBO will create special working relationships with parliamentary committees and Government departments by virtue of its mandate.
- 3.123 The committee believes that the Parliamentary Budget Officer through his/her mandate and independence of office should be able to contribute to committee inquiries by providing submissions and also appear as a witness at public hearings. In addition, the committee believes that it would serve the information needs of the Parliament if all committees would be able to make requests for financial analysis and advice from the PBO.

Recommendation 2

- 3.124 **The committee recommends that the Government establish the mandate of the Parliamentary Budget Office as to inform the Parliament by providing independent, non-partisan and policy neutral analysis on the full Budget cycle, fiscal policy and the financial implications of proposals.**

Recommendation 3

- 3.125 The committee recommends that the Government empower the Parliamentary Budget Office to undertake the following functions, consistent with its mandate:
- prepare responses to the requests of individual Senators and Members, regardless of party or Government status, and parliamentary committees, including the preparation of costings in relation to proposed policies and bills outside the caretaker period,
 - make formal contributions to committee inquiries,
 - initiate its own work in anticipation of the interests of its clients, and
 - prepare costings of election commitments during the caretaker period.

Recommendation 4

- 3.126 The committee recommends that the Government amend the *Charter of Budget Honesty Act 1998* (Cwlth) to enable the leaders of parliamentary parties with a minimum number of parliamentary members to access the election costings provisions of the Act. The minimum number of parliamentary members should be consistent with similar requirements set out in the *Parliamentary Allowances Act 1952* (Cwlth) and the *Parliamentary Entitlements Act 1990* (Cwlth), which is currently five members or more.

Recommendation 5

- 3.127 The committee recommends that the Government amend the *Charter of Budget Honesty Act 1998* (Cwlth) to enable the costing of election commitments in the period starting from the issue of the writ for the election and ending when the election result is clear or, if there is a change of Government, until the new Government is appointed.

Recommendation 6

- 3.128 The committee recommends that the Government empower the Parliamentary Budget Office (PBO) to provide election costings on request, in relation to publicly announced policies, starting from the issue of the writ for the election and ending when the election result is clear or, if there is a change of Government, until the new Government is appointed. Apart from the conditions for who can make a request for costings, the caretaker period costings service of the PBO is to be consistent with that of the *Charter of Budget Honesty Act 1998* (Cwlth).

Recommendation 7

- 3.129 The committee recommends that the election costing service of the Parliamentary Budget Office be limited to requests from nominated parliamentary party representatives and Independent Members originally elected and seeking re-election, as Independent Members, without the endorsement of a registered political party.

Recommendation 8

- 3.130 The committee recommends that the election costing service of the Parliamentary Budget Office be limited to requests from nominated parliamentary party representatives and Independent Members (as defined in recommendation 7), in relation to their own policies.

Recommendation 9

- 3.131 The committee recommends that individual election commitments are not able to be costed by both the Parliamentary Budget Office (PBO) and the Departments of the Treasury and of Finance and Deregulation, and that to avoid duplication, the PBO and Treasury and Finance confer prior to the preparation of each costing request.

Authority and accountability

Introduction

- 4.1 The type of authority vested in the Parliamentary Budget Officer and through them, their Parliamentary Budget Office (PBO) would have implications for: reporting channels, their access to information powers, and subsequent information publishing requirements, and the level of funding required for the PBO to fulfil its mandate.
- 4.2 A range of accountability and oversight mechanisms were suggested for a PBO. In the case where the head of the PBO would be an independent officer of the Parliament and so able to determine their own work program, oversight could be enabled through either the establishment of a parliamentary committee dedicated to that purpose or an existing joint parliamentary committee.
- 4.3 This chapter examines the options put to the committee that would establish the authority of the Parliamentary Budget Officer and their Office through varying degrees of independence.

Authority

- 4.4 As outlined in Chapter 1, the *Agreement for a Better Parliament* provides that the PBO be based 'in the Library, to provide independent costings,

fiscal analysis and research to all members of Parliament, especially non government members.¹

- 4.5 The majority of evidence presented to the committee suggested that the office of the Parliamentary Budget Officer should be made independent. An independent PBO would ensure objective analysis and advice to the Parliament.
- 4.6 A number of different types of PBOs were suggested with varying degrees of independence. They were:
- Create a 'stand-alone Parliamentary Service agency (with its own legislation), similar to the Congressional Budget Office (CBO) of the United States of America (US).²
 - Through amendment to the relevant Acts, establish the PBO as an adjunct to an existing body such as the Australian National Audit Office (ANAO) or the Productivity Commission.³
 - Establish a permanent, independent Commission of Budget Integrity, to take the form of a 'Commonwealth owned company outside of government.'⁴
 - Establish the PBO within a Government department, similar to the Central Planning Bureau (CPB) of The Netherlands.⁵
 - Create a separate authority which is not part of the Parliament or a Government department.⁶
 - 'Establish the PBO within the Department of Parliamentary Services (DPS), possibly within the Library or as a *parallel agency within the DPS*. Under this option, the enabling legislation would amend the *Parliamentary Services Act 1999* (Cwlth).⁷
 - The PBO be established within the Parliamentary Library structure:
 - and the functions of the PBO are legislated for, but assigned to the Parliamentary Librarian (as the independent statutory office holder),

1 Parliament of the Commonwealth of Australia, 6 September 2010, *Agreement for a Better Parliament: Parliamentary Reform*, para. 16.1, p. 8.

2 Department of Parliamentary Services, *Submission 4*, p. 7. A similar option was also suggested by the Office of the Parliamentary Librarian, *Submission 10*, p. 4.

3 Department of Parliamentary Services, *Submission 4*, p. 7.

4 Business Council of Australia, *Submission 17*, p. 1.

5 Office of the Parliamentary Librarian, *Submission 10*, p. 4.

6 Office of the Parliamentary Librarian, *Submission 10*, p. 4.

7 Department of Parliamentary Services, *Submission 4*, p. 7. A similar option was also suggested by the Office of the Parliamentary Librarian, DPS, *Submission 10*, p. 4.

through amendments to the relevant legislation. The head of the PBO would not be a statutory office holder.

- headed by a Parliamentary Budget Officer:
 - ‘who would be designated as an independent statutory office holder under the [relevant legislation], but he/she would still report to and be accountable to the Parliamentary Librarian as the head of the Parliamentary Library; or
 - who would be designated as an independent statutory office holder under the [relevant legislation], and the Parliamentary Budget Officer and the Parliamentary Librarian have joint responsibility/accountability for the functions of the Parliamentary Library.’⁸

4.7 While each option has its advantages and disadvantages, the underlying principle in each is associated with the type of authority of the PBO, that is, whether it is created as a ‘stand alone’, independent body, or whether it is placed within an existing institutional structure.

4.8 The Parliamentary Librarian favoured locating the PBO within the Parliament, either as a separate agency or within the Parliamentary Library.

4.9 The Parliamentary Librarian stated that such an arrangement was similar to that applied in Canada where the PBO reports to the Parliamentary Librarian and where the PBO is a unit within the parliamentary administration.⁹

4.10 However, the Parliamentary Librarian placed a caveat on transposing the Canadian model into the Australian context in relation to the need to clarify PBO reporting and funding arrangements. The Parliamentary Librarian stated:

One area where a potential “misfit” could occur in transposing the Canadian PBO model into the Australian context concerns resource allocation. Under the Canadian funding arrangements the PBO and the Library of Parliament as a whole are fully independent from the Government in their operation and funding. Further, although the PBO is located within the Library of Parliament, its budget is separate from that of the library. In

8 Departments of the Treasury and Finance and Deregulation, *Submission 16*, pp 11 and 12.

9 Office of the Parliamentary Librarian, *Submission 10*, p. 4.

creating a PBO within the Australian context these funding issues will need to be considered in depth.¹⁰

4.11 The Departments of the Treasury and of Finance and Deregulation (Treasury and Finance) stated that legislating for the functions of the PBO, but not making the head of the PBO a statutory office holder could ensure clarity and accountability in the PBO reporting structure.¹¹

4.12 In addition, Treasury and Finance stated that this structure could in the longer term create economic efficiencies through the sharing of existing administrative arrangements. In regard to this option, Treasury and Finance stated:

[This] ... option offers the greatest opportunity for effectively making use of the existing structures and processes of the Parliamentary Library. This is likely to reduce the need for significant additional resources for the PBO that relate primarily to pure administrative arrangements.

[It] ... also provides the greatest clarity with regards to accountability and reporting structures. Establishing a Parliamentary Budget Officer alongside the Parliamentary Librarian could create tension and uncertainty around the respective responsibilities and/or accountabilities of the two officers. This appears to have been problematic in the Canadian context. Assigning the functions of the PBO to the Parliamentary Librarian could help avoid these potential issues.¹²

4.13 Mr Stephen Bartos put the view that placing the PBO within Executive agencies such as the Treasury or the Department of Finance and Deregulation, could create a situation of divided loyalties for support staff and stated:

It is possible to create stand alone public service bodies with a strong independent role (for example, the Productivity Commission or ANAO) provided this is their dedicated role; it would not be possible to ask Treasury or the Department of Finance and Deregulation to on the one hand advise their Ministers while at the same time providing independent advice on similar subject matter that could enter the public domain.¹³

10 Office of the Parliamentary Librarian, *Submission 10*, p. 4.

11 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 12.

12 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 12.

13 Mr Stephen Bartos, *Submission 18*, p. 1.

4.14 The Auditor-General was not in favour of establishing the PBO as an adjunct to the ANAO as the role of the Auditor-General is directed at examining historical information and performance in contrast to potential policy measures, costing projections and assumptions. The Auditor-General stated:

... the focus of our work is on past performance (financial and administrative), rather than on potential policy measures, costing projections and assumptions. Further, the body of auditing and assurance standards by which the ANAO undertakes its responsibilities is largely directed at historical information and performance. It is for these reasons that the ANAO has not been in favour of any suggestion that it audit the Government's budget or elements of the budget.¹⁴

4.15 Mr Alan Thompson, Secretary of DPS initially preferred establishing the PBO within DPS with the rationale that the PBO would have a lower total establishment cost than if the PBO were an independent body or adjunct to the ANAO or Productivity Commission.¹⁵

4.16 Mr Alan Thompson, later revised this stance to prefer an independent PBO where that PBO were to be tasked with producing major publications in line with those produced by the CPB.¹⁶ Mr Alan Thompson stated:

I believe the Department of Parliamentary Services can be very supportive and we would certainly be willing to host the body, but I am very conscious of the need for this body to be seen to be clearly independent.¹⁷

4.17 DPS outlined its reasons for supporting a 'stand alone' PBO and stated:

Firstly, the new PBO would need clear lines of Parliamentary accountability; at the margin this accountability could be less clear if the PBO is nested within another body.

Secondly, it is likely to be easier to attract and retain an appropriate leader and senior staff.

Thirdly, budget setting should be clear for the Parliament and the new body.¹⁸

14 Australian National Audit Office, *Submission 15*, p. 2.

15 Department of Parliamentary Services, *Submission 4*, p. 7.

16 Department of Parliamentary Services, *Submission 4.1*, p. 6.

17 Mr Alan Thompson, Department of Parliamentary Services, Transcript of Evidence, 28 February 2011, p. 12.

18 Department of Parliamentary Services, *Submission 4.1*, p. 6.

- 4.18 The Auditor-General commented that the independence of his position allows him to have corporate budgetary control and set audit priorities, which would be hindered if a PBO were placed within the DPS departmental structure.¹⁹
- 4.19 In its assessment of PBOs' best practice, the Organisation for Economic Co-operation and Development (OECD) favoured an independent and non-partisan PBO as such an arrangement is seen to be the 'pre-requisite for [a] successful parliamentary budget office.' In addition, 'a truly non-partisan unit does not present its analysis from a political perspective and serves all parties in the Parliament.'²⁰
- 4.20 The Parliamentary Budget Officer of Canada supported the OECD stance on the importance of creating an independent PBO in respect to creating a 'real' PBO for Australia. The Canadian Parliamentary Budget Officer stated:

I have seen the submission provided by the OECD, from Mr Blöndal, who has a senior position there. For a parliamentary budget office, he outlined what some of the key principles should be with respect to independence and how it releases documents, and budget and scope. I think those are good principles to start from for Australia if you are interested in creating a real parliamentary budget office.²¹

- 4.21 The Canadian Parliamentary Budget Officer also commented that an independent PBO with a direct reporting relationship with Parliament would free it from bureaucratic interference. The Canadian Parliamentary Budget Officer stated:

I also think positioning the office of the parliamentary budget officer with a direct reporting relationship to parliamentarians would be helpful in terms of freeing it from bureaucratic interference. I know some of the significant costing reports or some of the economic and fiscal projections that we provided were quite different [from] the government. It created a lot of bureaucratic angst amongst bureaucrats in parliament in Canada.

19 Mr Ian McPhee, Australian National Audit Office, *Transcript of evidence*, 28 February 2011, p. 2.

20 Organisation for Economic Co-operation and Development, *Submission 8*, p. 2.

21 Mr Kevin Page, Office of the Parliamentary Budget Officer, Canada, *Transcript of Evidence*, 8 February 2011, p. 5.

If you really wanted to be free of that type of interference then creating an independent office would help as well.²²

- 4.22 The Federal Coalition shared a similar view and suggested the PBO should be an 'independent and well resourced statutory authority.'²³ The Federal Coalition stated that an independent PBO would 'enhance the transparency and accountability of the budget process and help deliver better policy and financial outcomes for Australian taxpayers.'²⁴
- 4.23 As mentioned earlier in this report, the Business Council of Australia (BCA) made the point that there is no independent fiscal policy equivalent to the Reserve Bank of Australia, the Productivity Commission or the ANAO. The BCA added that these institutions contribute to Australia's economic performance through enhanced scrutiny, oversight and advice.²⁵
- 4.24 The BCA further stated that while advice from agencies such as Treasury and Finance is ... 'generally robust and well-regarded, the advice provided on fiscal policy by these agencies is for the most part confidential and it is not possible to determine the extent to which the government of the day has or has not followed that advice.'²⁶
- 4.25 Mr Stephen Bartos also commented that there is a role for an independent body in providing assurance to improve public and market confidence in fiscal governance. Mr Stephen Bartos stated:
- .. many stakeholders do see a valuable role for an independent body in validation of the forecasts and commentary on official fiscal documents. This would provide a level of independent assurance that would improve both public and market confidence in fiscal governance in Australia.²⁷
- 4.26 The Auditor-General placed value on enabling the PBO to function in an independent manner 'free from government or political interference' which in turn would ensure its effective operation.²⁸
- 4.27 The Public Policy Institute of the Australian Catholic University (PPI), suggested the PBO should be autonomous with a similar relationship to the Parliament as the Auditor-General. The PPI stated:

22 Mr Kevin Page, Office of the Parliamentary Budget Officer, Canada, *Transcript of Evidence*, 8 February 2011, p. 5.

23 Federal Coalition, *Submission 14*, p. 1.

24 Federal Coalition, *Submission 14*, p. 1.

25 Business Council of Australia, *Submission 17*, p. 1.

26 Business Council of Australia, *Submission 17*, p. 2.

27 Mr Stephen Bartos, *Submission 18*, p. 2.

28 Australian National Audit Office, *Submission 15*, p. 1.

... a PBO in the Australian Parliament, to be effective and durable, needs to be autonomous. ... it is the relationship between the Parliament and the Auditor-General which provides a useful guide as to how the PBO might relate to the Parliament.²⁹

4.28 The Australian Chamber of Commerce and Industry (ACCI) emphasised the importance of ensuring that the Parliamentary Budget Officer is independent of the Government and suggested guaranteeing security of funding. The ACCI stated:

The independence of the PBO is a paramount reason for its existence. Accordingly, security of funding for the body must be guaranteed for an extended period and a mechanism should be adopted to ensure its staff, including its head, are independent of the government.³⁰

4.29 The Auditor-General suggested that the provisions contained in the *Auditor-General Act 1997* (Cwlth) are a useful starting point for considering the type of arrangements that could be used to establish a PBO through legislation.³¹ The independence of the PBO could be achieved by legislating for:

- the method of appointment and termination of the Parliamentary Budget Officer and the status of the PBO
- method for remuneration of the Parliamentary Budget Officer
- 'the extent of the PBO's discretion in determining its own work program and priorities'
- 'arrangements for determining the PBO's budget'
- PBO's reporting requirements.³²

4.30 The Clerk of the Senate stated that it would not be appropriate for the PBO to be located in either chamber department as the work of the PBO is different to that of the chamber departments with limited crossover potential. In addition, managing a PBO requires specialist financial analysis skills and experience, which could be applied to the selection criteria of future clerks, but which would also narrow the field of applicants.³³

29 Public Policy Institute, *Submission 13*, p. 4.

30 Australian Chamber of Commerce and Industry, *Submission 9*, p. 2.

31 Australian National Audit Office, *Submission 15*, p. 2.

32 Australian National Audit Office, *Submission 15*, p. 2.

33 Department of the Senate, *Submission 6*, p. 6.

4.31 The Clerk of the Senate further commented that the most highly regarded option for a PBO is one that is enshrined in legislation, which creates an independent office, similar to the Auditor-General. However, with such a legislated model, the PBO would not be able to be directed by the Parliament or the Executive and so the public information it provides could be constrained by its establishing legislation. The Clerk of the Senate stated:

... if you want a Rolls-Royce [Parliamentary Budget Office], go for a legislated one. But part of the Auditor-General's independence is established by the fact that he cannot be directed by either House or by committees or by the Executive, so that means that there is information that the Auditor-General will not produce to Parliament if he feels that it is not within his statutory brief to do so. So, with the legislated model, you are buying something that is known but is also constrained. You might not be able to have free-for-all information for use however you want.³⁴

Access to information

4.32 For a PBO to fulfil its mandate effectively it will require access to Executive agency information. Access to this information could be provided through a number of mechanisms, depending on how the information is intended to be used and whether it would be published. The power to contract external expertise is also important in providing the PBO with additional analytical assistance.

4.33 The Parliamentary Librarian highlighted the importance of the PBO having access to Executive agency data, at no cost, as without this data, the PBO 'would be limited to using publicly-available information, and what agencies are willing to provide.'³⁵ If this data was priced, it would have implications for the budget of the PBO.

4.34 A range of options for access to information powers were presented to the committee. These included:

- Legislating for full access to Executive held information.³⁶ The *Auditor-General Act 1997 (Cwlth)* provides an example of full access provisions,

34 Dr Rosemary Laing, Department of the Senate, *Transcript of evidence*, 1 February 2011, p. 36.

35 Office of the Parliamentary Librarian, *Submission 10*, pp 6 and 7.

36 OECD, *Submission 8*, p. 3; Australian National Audit Office, *Submission 15*, p. 2; Office of the Parliamentary Librarian, *Submission 10*, p. 7.

enabling the Auditor-General to direct the production of information and creates a criminal offence for failure to comply.³⁷

- Legislating for partial access to Executive held information based on principles consistent with existing freedom of information or public access provisions.³⁸
- Accessing information through the provision of information protocols such as a Memorandum of Understanding (MOU) between the PBO and relevant Executive agencies.³⁹
- Use of the *Freedom of Information Act 1982* (Cwlth) to request Executive held information on the same basis as the public.⁴⁰

4.35 The OECD supported legislating for the PBO to have full access to information and economic models held by Executive agencies, in a timely manner. The OECD stated:

There will always be a large asymmetry of information between the government and such bodies – no matter how well they are resourced. This creates a special duty to give such bodies full access in legislation to all relevant information in a timely manner. This includes all the models used by the government for the assumptions underlying the budget – economic, revenue and expenditure.⁴¹

4.36 The Auditor-General also commented that an effective PBO ‘would require full and free access to all information and records necessary to perform its functions’, possibly including cabinet documents. In addition, the information would need to be provided in a timely manner. The Auditor-General also suggested that the PBO’s access to information powers should be legislated for and stated:

It is considered that the PBO’s enabling legislation would need to provide legislative authority for the PBO to access relevant information and records held by agencies and other bodies in a timely manner. Depending on the breadth of the proposed role, access to Cabinet documents may be required.⁴²

37 Section 32, *Auditor-General Act 1997* (Cwlth).

38 Department of the Legislative Assembly, NSW Parliament, *Submission 19*, p. 7.

39 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 12; Office of the Parliamentary Librarian, *Submission 10*, p. 7.

40 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 13.

41 OECD, *Submission 8*, p. 3.

42 Australian National Audit Office, *Submission 15*, p. 2.

4.37 The Canadian PBO favoured free and timely access to information for the PBO and cautioned against excluding access to cabinet documents, as classification of documents as cabinet-in-confidence may increase over time to prevent scrutiny by Parliament. The Canadian PBO stated:

Our own view is that, unfortunately, in Canada perhaps this line has shifted somewhat and we tend to use cabinet confidence perhaps too frequently as a way to not provide information to parliamentarians to carry out their fiduciary responsibilities.⁴³

4.38 The Department of the House of Representatives stated that the PBO should not be given wide ranging access to information powers, as this approach may not be appropriate for an agency with a broad remit such as the PBO. Rather a request system for information would better suit a PBO and be necessary to develop a solid and practical operational framework.⁴⁴

4.39 Mr Stephen Bartos cautioned against the provision of strong access to information powers for the PBO, as they could hinder the flow of information to the PBO. Mr Stephen Bartos stated:

I would caution against that, because that has the danger of setting up an adversarial relationship between the office and the departments concerned. It might be that you set up a power that is a last resort sort of measure, that says that in the event it is unable to obtain access, it should be able to report to a parliamentary committee on the reasons why it has been unable to obtain access. Then that parliamentary committee might call the relevant recalcitrant department before it and say, 'Why haven't you given our PBO access to the information they need?'⁴⁵

4.40 Treasury and Finance also cautioned against legislating for PBO powers 'that would compel agencies to provide requested information', as this 'could create conflict with the Public Service Act... which requires agency heads to manage their departments for the benefit of the Prime Minister.'⁴⁶

4.41 Treasury and Finance favoured arranging the PBO's access to information powers through information protocols through a negotiated MOU as this would provide flexibility for Executive agencies to balance their responsibilities under the Public Service Act.⁴⁷

43 Mr Kevin Page, Office of the Parliamentary Budget Officer, Canada, Transcript of Evidence, 8 February 2011, p. 10.

44 Department of the House of Representatives, *Submission 2*, p. 1.

45 Mr Stephen Bartos, *Transcript of Evidence*, 1 February 2011, p. 72.

46 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 13.

47 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 13.

- 4.42 Treasury and Finance suggested that information protocols would need to include provisions consistent with the *Freedom of Information Act 1982* (FOI) (Cwlth), 'to allow agencies to refuse requests on the same grounds that documents can be exempted under the FOI Act and for the review of those decisions.'⁴⁸
- 4.43 Further, Treasury and Finance proposed that the following types of information should be included as exempt items under the FOI Act in terms of provision of these items to the PBO. There were:
- Some information which is commercially valuable in nature
 - 'Information produced for the purpose of deliberative processes or the national economy'
 - Certain cabinet documents
 - Minister's briefing documents (related to cabinet submissions)
 - Information which is subject to privacy and taxpayer secrecy provisions
 - 'Private sector information which is provided to agencies on a confidential basis with legal sanctions that could apply'.⁴⁹
- 4.44 Treasury and Finance stated that the information needs of the PBO are likely to evolve and that an MOU would provide flexibility for the PBO and departments in managing changing information requirements, encouraging 'a transfer of understanding as well as information'.⁵⁰
- 4.45 The NSW *Parliamentary Budget Officer Act 2010 (NSW)* provides for the PBO to request information from Government agencies, for agencies to respond within ten days, and for agencies to decline requests consistent with the *Government Information (Public Access) Act 2009 (NSW)*.⁵¹
- 4.46 The Clerk of the Senate considered the access to Government information provisions of New South Wales (NSW) inadequate and stated:
- ... it seems to me that the Parliamentary Budget Officer in New South Wales can get access to the sort of information from government agencies that anybody would be able to get under FOI in New South Wales. Is that good enough for a Parliamentary Budget Office? I do not think so, because the parliament as the grand inquisition of the nation is scrutinising the operations of
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48 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 13.

49 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 13.

50 Departments of the Treasury and of Finance and Deregulation, *Submission 16.1*, p. 1.

51 Section 16, *Parliamentary Budget Officer Act 2010 (NSW)*.

government on behalf of the people, to use very broad terms, and has both the right and the powers to have information to inform it to do that job properly. So the question of how information is to be acquired is one of the crucial ones that your committee needs to look at. It is almost as crucial as the functions of the office in the first place.⁵²

- 4.47 Provisions to engage relevant experts as required were also considered important for the PBO. The Canadian Parliamentary Budget Officer noted that the ability to contract in and consult with experts can enable an additional source of analysis for parliamentarians. The Canadian Parliamentary Budget Officer commented:

In previous studies around, say, the costing of our mission in Afghanistan, we went to a combination of people who have testified in the US on the costing of the Iraq war and to academics who have provided costings of other wars, both in Canada and the United States.⁵³

- 4.48 The use of external expertise can also assist with the process of developing an appreciation of and familiarity with data provided to the PBO from Government agencies.⁵⁴
- 4.49 In addition, the Auditor-General observed that the PBO's access to information powers 'would need to be complemented by strict confidentiality requirements.'⁵⁵

Confidentiality and disclosure of information and reports

- 4.50 The ability of the PBO to access information is associated with its arrangements to secure that information and use it appropriately, taking into account any reasonable need to withhold the information, or aspects of it, from the public domain. As the Auditor-General observed, the PBO's access to information powers 'would need to be complemented by strict confidentiality requirements.'⁵⁶

52 Dr Rosemary Laing, Department of the Senate, Transcript of evidence, 1 February 2011, p. 34.

53 Mr Kevin Page, Office of the Parliamentary Budget Officer, Canada, *Transcript of Evidence*, 8 February 2011, p. 7.

54 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 13.

55 Australian National Audit Office, *Submission 15*, p. 2.

56 Australian National Audit Office, *Submission 15*, p. 2.

- 4.51 The issue of the confidentiality of the information obtained by the PBO extends beyond that sourced from Government departments. The PPI expressed concern about information the PBO may source from private sector organisations, businesses and trade unions and recommended that:
- ... by whatever means the PBO is established, express provision should be made for gathering and protection of information.⁵⁷
- 4.52 The Auditor-General suggested that a public interest test similar to that contained in the Auditor-General Act, could be applied.⁵⁸ Section 37 of the Auditor-General Act enables the Auditor-General to withhold the publication of sensitive information if the Auditor-General or the Attorney-General considers that its release would be contrary to the public interest.⁵⁹
- 4.53 In relation to information sourced from Government departments, issues concerning the use of information could be avoided where departments elect 'to make the information provided to the PBO publicly available, similar to the practice of publishing information released under the FOI Act.' This may be relevant if 'confidential PBO advice is later revealed to be in conflict with advice provided by [a] Government [agency].'⁶⁰
- 4.54 There may also be instances where the very nature of a request made of the PBO by a parliamentarian is sensitive. The NSW Parliamentary Budget Officer Act contains particular provisions to maintain the confidentiality of the information held with the PBO in relation the requests made of it by its clients and the preparation of responses to those requests. Penalties apply for the unauthorised release of client related material.⁶¹
- 4.55 The Clerk of the NSW Legislative Assembly was of the view that a code of conduct which sets out confidentiality requirements may be needed for PBO staff. Further, to ensure the security of confidential documents, protocols could also be put in place.⁶²
- 4.56 The extent to which the work of the PBO is published is another important consideration.⁶³ Some contributors to the inquiry argued for the publication of all of the products of the PBO to enhance transparency and

57 Public Policy Institute, Australian Catholic University, *Submission 13*, p. 5.

58 Australian National Audit Office, *Submission 15*, p. 2.

59 Section 37(1), *Auditor-General Act 1997 (Cwlth)*.

60 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 14.

61 Section 17, *Parliamentary Budget Officer Act 2010 (NSW)*.

62 Department of the Legislative Assembly, NSW Parliament, *Submission 19*, p. 6.

63 Australian National Audit Office, *Submission 15*, p. 2.

the public value of its work.⁶⁴ Whereas others considered that the provision of confidential material by the PBO would be of value to its clients.⁶⁵

4.57 There is a tension between providing confidential work to parliamentarians and publishing that work. According to Mr Stephen Bartos:

There is also a tension between provision of confidential advice to parliamentarians (which then may be used in political debate) and the desirability of putting work on fiscal issues into the public domain. In the event of a conflict, the best interests of Australia would be better served by giving primacy to the interest of transparency.⁶⁶

4.58 The Auditor-General advised that 'public reporting would enhance the overall transparency and accountability of the PBO'.⁶⁷

4.59 The Canadian Parliamentary Budget Officer suggested that PBO legislation enshrine 'the principle of transparency in the conduct and release of analysis.'⁶⁸ Enshrining this principle (in addition to other principles such as independence of office) in legislation would ensure a strong and clear foundation for a PBO.⁶⁹

4.60 The OECD recommended that the information provided by a PBO 'should be made available concurrently to all political parties and the public.' The PBO should ensure that it does not pre-empt Government reports and can do this by establishing report and analysis reporting dates.⁷⁰

4.61 The Parliamentary Library has a statutory requirement to provide confidential information, analysis and advice to its clients. The Parliamentary Librarian stated that a similar requirement for the confidentiality of client work would be appropriate to meet the needs of parliamentarians.⁷¹

4.62 The Joint Standing Committee on the Parliamentary Library considered that the confidential nature of the work of the Library, as well as

64 For example, Parliamentary Budget Officer, Canada, *Exhibit 1*; S Bartos, *Transcript of Evidence*, 1 February 2011, p. 2.

65 Office of the Parliamentary Librarian, *Submission 10*, p. 9.

66 Mr Stephen Bartos, *Submission 18*, p. 2.

67 Australian National Audit Office, *Submission 15*, p. 2.

68 Office of the Parliamentary Budget Officer, Canada, *Exhibit 1*, p. 12.

69 Office of the Parliamentary Budget Officer, Canada, *Exhibit 1*, p. 12.

70 OECD, *Submission 8*, p. 3.

71 Office of the Parliamentary Librarian, *Submission 10*, p. 9.

impartiality and timeliness, crucial to its success, and relevant to any parliamentary service, including the PBO. The Joint Standing Committee on the Parliamentary Library stated:

Core values of impartiality, timeliness and confidentiality are vital for the success of any parliamentary service. The Parliamentary Service Act mandates these values for the Parliamentary Librarian and these core values will be useful to the operations of a Parliamentary Budget Office. Without these core values the new service would struggle to find direction and may not meet the needs of senators and members.⁷²

4.63 The PPI commented that there are a number of protocols in place in the Parliamentary Library and research service, which could be applied to the PBO. The PPI stated:

There are already a number of protocols and practices within the Australian Parliament, including within the provenance of the Library and Research Service. Only occasionally do these protocols and practices give rise to controversies. They therefore furnish a known foundation for the new [organisation] to build upon.⁷³

4.64 Treasury and Finance stated that the protocol under which the Parliamentary Library publishes routine output allows 'the public to benefit from the routine research of the Library, but enables parliamentarians to seek confidential advice.' Under this protocol the Parliamentary Library publishes 'routine output [and] provides responses to non routine requests from parliamentarians on a confidential basis unless otherwise agreed.'⁷⁴

4.65 Related to the use of information within the PBO is the issue of how the confidential or public reports of the PBO are used by its clients. The NSW PBO legislation contains provisions to enable the Parliamentary Budget Officer to make a public statement where it is of the opinion that the material provided has been misrepresented in the public domain.⁷⁵

4.66 Where a public misinterpretation has been made about the work of the PBO, there may be a further need to contact the client, before issuing a public statement. This would ensure that the PBO and the client 'do not

72 Joint Standing Committee on the Parliamentary Library, *Submission 5*, p. 6.

73 Public Policy Institute, Australian Catholic University, *Submission 13*, p. 5.

74 Departments of Treasury and of Finance and Deregulation, *Submission 16*, p. 13.

75 Section 22(3), *Parliamentary Budget Officer Act 2010 (NSW)*.

end up in a war of words ... through the media about any misrepresentation.⁷⁶

Appointment, dismissal and remuneration arrangements

4.67 There are a range of appointment and dismissal arrangements that could be applied to the Australian PBO. A broad outline of international and domestic examples follows.

4.68 The OECD suggested that the Parliamentary Budget Officer should be appointed by the legislature and have full discretion in hiring staff.⁷⁷

4.69 The DPS made the link between accountability of the PBO and appointment and dismissal of the head of the PBO and suggested the appointment of the Parliamentary Budget Officer could be made on recommendation from an independent officer with similar dismissal provisions. DPS stated:

The first component of this accountability is that the leader of the PBO should be appointed by the Presiding Officers based on recommendations from an independent officer (such as the Parliamentary Service Commissioner). These arrangements are similar to the appointment provisions for my position or the Parliamentary Librarian. Dismissal provisions could also be similar.⁷⁸

4.70 Treasury and Finance commented that there is a need to avoid 'perceptions of a politicisation of the appointment process.' Treasury and Finance suggested the appointment of the head of the PBO could be determined by the Presiding Officers for a term of three years on recommendation by the Secretaries of Treasury and Finance.⁷⁹

4.71 Further, Treasury and Finance outlined grounds for termination for the head of the PBO and stated:

To enshrine the security of the position, the grounds for termination (for example, misbehaviour or physical or mental

76 Department of the Legislative Assembly, NSW Parliament, Submission 19, p. 6.

77 Organisation for Economic Co-operation and Development, *Submission 8*, p. 2.

78 Department of Parliamentary Services, *Submission 4.1*, p. 5.

79 Departments of the Treasury and of Finance and of Deregulation, *Submission 16*, p. 15.

incapacity) could also be subject to a decision by the Presiding Officers as is the case for the Parliamentary Librarian.⁸⁰

Examples from other jurisdictions

Canadian Parliamentary Budget Officer

4.72 The Canadian Parliamentary Budget Officer is a Governor-in-Council appointment (Governor-General acting on the advice of the Prime Minister and Cabinet) and holds office during pleasure⁸¹ for a renewable term of not more than five years.⁸² The appointment of the Canadian Parliamentary Budget Officer was intended to be an independent officer, but was not legislated as one. In terms of ensuring independence through appointment and dismissal arrangements the Canadian Parliamentary Budget Officer stated:

A true independent budget authority should be appointed by Parliament and dismissed for cause. It is problematic for a budget officer to provide analysis that may be used by members of Parliament to hold the government to account if that person works at pleasure and can be dismissed without cause by the Prime Minister.⁸³

Director of the United States of America, Congressional Budget Office

4.73 In regard to appointment of the Director of the Congressional Budget Office, under the *US Congressional Budget and Impoundment Control Act 1974*, the Speaker of the House and the President pro tempore of the Senate jointly appoint the Director on recommendation by the House and Senate Budget Committees. The Director is appointed for a renewal term of four years and can be removed by resolution from either Chamber.⁸⁴

Chief of the Korean National Assembly Budget Office

4.74 The Chief of the Korean National Assembly Budget Office (NABO) is appointed by the Speaker with the consent of the House Steering Committee. The House Steering Committee acts on advice from the 'Recommendation of the Chief of the National Assembly Budget Officer'

80 Departments of the Treasury and of Finance and of Deregulation, *Submission 16*, p. 15.

81 Office of the Parliamentary Budget Officer, Canada, *Exhibit 1*, p. 5.

82 Office of the Parliamentary Librarian, *Submission 10*, p. 31.

83 Office of the Parliamentary Budget Officer, Canada, *Exhibit 1*, p. 5.

84 Office of the Parliamentary Librarian, *Submission 10*, p. 19.

which comprises experts on the workings of NABO, who are not officials of NABO. The Chief is appointed on an ongoing basis with no fixed term, and 'can be removed by the Speaker with consent of the Steering Committee.'⁸⁵

Director of the Central Planning Bureau of The Netherlands

4.75 The CPB is managed by a board of directors comprising one Director and two Deputy Directors who may be appointed, suspended and dismissed by the Minister of Economic Affairs in consultation with seven other senior Ministers whose portfolios are listed in the Act. The Director and the two deputies are employed on an ongoing basis, with no set term of office.⁸⁶

Auditor-General for Australia

4.76 Under the *Auditor-General Act 1997* (Cwlth), the Auditor-General is appointed by the Governor-General, on recommendation by the relevant Minister.⁸⁷ The Minister is also required to refer the recommendation for appointment to the Joint Committee of Public Accounts and Audit (JCPAA) for approval.⁸⁸ In addition, the appointment cannot be made unless the JCPAA has approved the appointment proposal.⁸⁹

4.77 The Auditor-General's term of office is for a period of ten years (non renewable) and remuneration is determined by the Remuneration Tribunal or by regulations if no determination of that remuneration by the Tribunal is in operation.⁹⁰

4.78 The Auditor-General may resign from office through a signed notice to the Governor-General. The Governor-General may remove the Auditor-General from office on the grounds of misbehaviour or physical or mental incapacity on request by the respective houses of Parliament in the same session. Additional grounds for removal from office are based on actions that would inhibit the Auditor-General's independence of office such as becoming bankrupt.⁹¹

85 Office of the Parliamentary Librarian, *Submission 10*, p. 24.

86 Office of the Parliamentary Librarian, *Submission 10*, p. 27; Departments of Treasury and of Finance and Deregulation, *Submission 16*, p. 23.

87 The *Auditor-General Act 1997* (Cwlth) specifies the Finance Minister as the relevant Minister.

88 Australian National Audit Office, *Submission 15*, Appendix.

89 Schedule 1, *Auditor-General Act 1997* (Cwlth).

90 Australian National Audit Office, *Submission 15*, Appendix.

91 Australian National Audit Office, *Submission 15*, Appendix.

New South Wales Parliamentary Budget Officer

- 4.79 The NSW Parliamentary Budget Officer is an independent officer of the Parliament. The NSW Parliamentary Budget Officer is appointed for a term of up to nine years, by the Presiding Officers on recommendation 'by a panel consisting of three senior independent public officials, the Ombudsman, the Information Commissioner and the Chair of the Independent Pricing and Regulatory Tribunal.' The NSW Parliamentary Budget Officer 'may only be removed from Office by the Presiding Officers on the grounds of misbehaviour, incapacity or incompetence.'⁹²
- 4.80 The situation has arisen in NSW where a Parliamentary Budget Officer has not been appointed and there is no provision to make an interim appointment under the Act. The Clerk of the NSW Legislative Assembly suggested that provision could be made to avoid such a situation arising in the Federal sphere.⁹³

Oversight and accountability

- 4.81 Oversight of the PBO could be through a parliamentary committee, such as the arrangement under the Auditor-General Act which enables the JCPAA to consider the draft budget estimates of the ANAO and make recommendations on them.⁹⁴
- 4.82 The Auditor-General commented that audit reports are presented to the Parliament which may be examined by the JCPAA through inquiry, to which the Auditor-General provides evidence. In addition, the Auditor-General's financial statements are subject to annual scrutiny by an independent auditor.⁹⁵
- 4.83 DPS was of the view that the Presiding Officers should have oversight of the PBO, but that during peak workload periods and in relation to prioritisation issues, oversight could be undertaken by a parliamentary committee, which would in turn provide advice to the Presiding Officers.⁹⁶

92 Department of the Legislative Assembly, NSW Parliament, *Submission 19*, p. 3.

93 Department of the Legislative Assembly, NSW Parliament, *Submission 19*, p. 1.

94 Australian National Audit Office, *Submission 15*, p. 2 and Appendix.

95 Mr Ian McPhee, Australian National Audit Office, *Transcript of Evidence*, 28 February 2011, p. 7.

96 Department of Parliamentary Services, *Submission 4*, pp 7 and 8.

- 4.84 The Clerk of the Senate suggested that each House could nominate an existing committee to supervise the operation of the office, similar to the arrangements for the NSW PBO.⁹⁷
- 4.85 In NSW, the reporting requirements and line of accountability of the PBO is contained in the Parliamentary Budget Officer Act. Under the Act, the Minister may review the PBO after five years. Parliamentary oversight is undertaken by two committees, one from each house of Parliament as nominated by the Presiding Officers. The Clerk of the NSW Legislative Assembly suggested that review of the Act could have also been undertaken by a joint parliamentary committee for efficiency purposes and, designated by the Parliament to ensure the independence of the PBO.⁹⁸
- 4.86 The Canadian Parliamentary Budget Officer reports to the Parliamentary Librarian of Canada (who then reports to the Presiding Officers). In turn, the Parliamentary Library is subject to oversight through the Standing Joint Committee on the Library of Parliament.⁹⁹
- 4.87 The CBO is subject to ongoing review by two statutory budget committees. In addition, the work of the CBO is assisted through review by two expert panels, the economics panel and the health panel. The economics panel meets biannually and comments and reviews CBO's preliminary economic forecasts. The economic panel comprises 'eminent economists', some of whom are previous CBO directors, who serve a two-year term. The health panel meets periodically 'to examine frontier research in health policy and to advise the agency on its analyses of health care issues. The health panel comprises 'acknowledged experts.'¹⁰⁰
- 4.88 In regard to reporting requirements, public agencies including the Auditor-General, must comply with the *Financial Management and Accountability Act 1997 (Cwlth)*, and the *Commonwealth Authorities and Companies Act 1997 (Cwlth)*. Such legislation would also be applied to the Parliamentary Budget Officer and the PBO.
- 4.89 The Financial Management and Accountability Act applies to agencies that are a financial part of the Commonwealth as a single legal entity. This includes the parliamentary departments.¹⁰¹ The Financial Management

97 Dr Rosemary Laing, Department of the Senate, *Transcript of Evidence*, 1 February 2011, p. 37.

98 Department of the Legislative Assembly, NSW Parliament, *Submission 19*, p. 3.

99 Mr Kevin Page, Office of the Parliamentary Budget Officer, Canada, *Transcript of Evidence*, 8 February 2011, p. 3.

100 Office of the Parliamentary Librarian, *Submission 10*, p. 19.

101 Department of Finance and Deregulation, www.finance.gov.au, viewed 8 March 2011.

and Accountability Act sets the financial management framework for agencies and requires production, auditing and reporting of annual financial statements. The Commonwealth Authorities and Companies Act requires responsible financial management and an annual report to be produced, and through the relevant Minister, tabled in the Parliament. Further the Commonwealth Authorities and Companies Act requires that an agency's annual report must include a financial report, director's report and the auditor's report.

- 4.90 Under the Parliamentary Service Act, the parliamentary departments are required to produce an annual report for the Presiding Officers who are then required to table these reports in the Parliament. In respect to the Departments of the House of Representatives and the Senate, the JCPAA is required to approve guidelines for the annual reports. There is no provision for this process to occur for the DPS under the Parliamentary Service Act.

Evaluation

- 4.91 The operational review of the PBO was put forward as a monitoring mechanism to ascertain whether the PBO was fulfilling its mandate and functions and where improvements could be considered.¹⁰²
- 4.92 The operations of the Canadian PBO were reviewed by the Canadian Parliament's Joint Committee of the Library of Parliament after a period of 12 months.¹⁰³
- 4.93 DPS stated 'that the new body may need to be refined and improved' which could be achieved through an independent post-implementation review after a period of three years.¹⁰⁴
- 4.94 Under the NSW Parliamentary Budget Officer Act, the Minister may review the PBO after five years.¹⁰⁵

102 Australian National Audit Office, *Submission 15*, p. 3.

103 This review focused on the funding level provided to the office. Office of the Parliamentary Budget Officer, Canada, *Exhibit 1*, p. 10.

104 Department of Parliamentary Services, *Submission 4.1*, p. 3.

105 Department of the Legislative Assembly, NSW Parliament, *Submission 19*, p. 3.

Concluding comments

Authority

- 4.95 The committee was presented with a number of options in recommending the type of authority of the Parliamentary Budget Officer should have and as a result has broadened its consideration beyond the option suggested by the *Agreement for a Better Parliament* – which states the Parliamentary Budget Office (PBO) be based in the Parliamentary Library.
- 4.96 The majority of proponents for a PBO strongly supported establishing, through dedicated legislation, the office of the Parliamentary Budget Officer as an independent officer of the Parliament, similar to the Auditor-General.
- 4.97 Further, establishing the independence of the Parliamentary Budget Officer and their PBO through legislation would provide for an indisputable clarity of purpose and function for the PBO and establish the powers of the PBO in regard to information collection and publishing of information. More broadly, this approach would serve to strengthen the objectivity and credibility of the office of Parliamentary Budget Officer, as well as enhance transparency of PBO operations.
- 4.98 Ensuring independence of office through dedicated legislation would allow the Parliamentary Budget Officer to have control in setting the PBO's work program according to the allocated funding level and freedom in contracting-in additional expertise, if required. This, in turn, would also enable the Parliamentary Budget Officer to set the corporate direction of the PBO in line with the establishing legislation and in consideration of the financial scrutiny needs of the Parliament.
- 4.99 Providing for an independent Parliamentary Budget Officer would enable the PBO to make public comments, where necessary, in regard to its findings and recommendations. Importantly, this would enable the Parliamentary Budget Officer and their PBO to establish a public profile, in line with the majority of international PBOs which are also independent of Executive Government.

Access to information

- 4.100 It is clear to the committee that in order for the PBO to effectively fulfil its mandate and provide the level of service outlined, it will need special access to information and data held by Government departments.

- 4.101 Options considered by the committee included legislated powers to compel information, such as the powers of the Auditor-General, legislated provisions to request information, such as those of the NSW PBO, negotiated arrangements with agencies, and the use of freedom of information laws.
- 4.102 The concerns raised about providing strong powers to direct the production of information included the appropriateness of those powers for the PBO and the potential that those powers may harm the relationships the PBO has with Government agencies.
- 4.103 The committee considers that the PBO's relationships with Government agencies will be crucial to its success. Not only will the PBO require information and data held by Government agencies, it may also need the assistance of agencies in making the best use of that information and data.
- 4.104 Further, there may be instances where, by working together on the kinds of information required, the agencies can better understand the ongoing needs of the PBO. The relationships between the PBO and Government agencies might also evolve over time, possibly leading to greater efficiencies and enhanced products for Senators, Members and committees.
- 4.105 The committee is therefore of the view that the PBO should seek to negotiate and develop memoranda of understanding (MOU) or similar instruments (as their main formal mechanisms) with the Departments of the Treasury and of Finance and possible other departments, to share information and data.
- 4.106 In the event that particular information is not provided to the PBO in accordance with an MOU, and the PBO is not satisfied by the rationale of the departments for declining to disclose information, the PBO should be entitled to use the formal processes provided through the *Freedom of Information Act 1982 (Cwlth)*, without cost.
- 4.107 Should the PBO then fail in its attempt to secure departmental information through the Freedom of Information Act, it will have the further option to report the matter to the Joint Committee of Public Accounts and Audit (JCPAA), which may then choose to pursue the matter.
- 4.108 Access to information arrangements through a negotiated MOU and the practical application of the MOU could be closely monitored by the PBO's oversight committee, possibly addressed in the annual report of the PBO and included under the terms of reference for the evaluation of the PBO.

Confidentiality and disclosure of information and reports

- 4.109 Access to information is linked to the confidentiality provisions of the PBO. In order to strengthen the trust between the PBO and the Government agencies on which it relies to provide information, the PBO should keep sensitive information provided by departments confidential within the PBO, including withholding the release of that information to parliamentarians and committees.
- 4.110 In negotiating an MOU with departments, it is expected that the PBO will develop a framework for how certain information can be used appropriately. For example, the PBO may use confidential information in the form of raw data as part of its analysis, but publish only aggregate figures and results.
- 4.111 In dealing with specific requests for information held in confidence by the PBO, the PBO should take into consideration relevant provisions of the MOU through which the information was obtained, the Freedom of Information Act and the Privacy Act.
- 4.112 The intent of this confidentiality framework is that:
- all relevant departments should provide as much assistance as possible for the PBO to effectively fulfil its mandate and perform its functions in serving the Parliament
 - the strict confidentiality arrangements applicable to the PBO should encourage proactive information sharing from departments, and
 - this framework seeks to provide a balanced starting point which will be developed, reviewed and possibly revised over time.
- 4.113 The committee considers that wherever possible, in the interest of transparency and accountability, the work of the PBO should be made publicly available.
- 4.114 In regard to publication of PBO reports and analysis outside the caretaker period of general elections, where a client has specifically requested confidentiality, the committee saw a need for work undertaken to remain confidential.
- 4.115 Further, PBO-initiated reports should be published and include the underlying assumptions and information about any economic models used to support the conclusions made.
- 4.116 Where possible, and by agreement with clients, the material used for individual requests should be negotiated to be included in public reports of the PBO, while retaining the confidentiality of the related original

request. This would have the advantage of providing flexibility and efficiency of operations while maximising the public value of the work and enhancing transparency.

- 4.117 The Parliamentary Budget Officer should be empowered to make public statements where they consider that the confidential or published material his/her office has prepared has been misrepresented in the public domain.

Appointment, dismissal and remuneration arrangements

- 4.118 Transparency and accountability of the position of the Parliamentary Budget Officer and the PBO could be ensured through the establishing legislation in regard to the inclusion of provisions dealing with the appointment, dismissal, term of office and remuneration of the Parliamentary Budget Officer.
- 4.119 The committee believes the appointment, dismissal and remuneration arrangements applied to the office of Auditor-General should as far as possible be applied to the office of the Parliamentary Budget Officer. The committee is of the view that the Auditor-General model for appointment, dismissal and remuneration has been proven to work well in practice in the Australian context. Further this model provides for parliamentary scrutiny of appointment through the Joint Committee of Public Accounts and Audit, and dismissal by the Parliament on grounds of misbehaviour or physical or mental incapacity.
- 4.120 The committee has also considered the application of the Auditor-General model in relation to the involvement of the Executive Government in the appointment and dismissal process for the Parliamentary Budget Officer and the possible implications this has for independence of office. The committee believes the Minister, through their department, has the expertise and resources to make selections of appropriate candidates. In addition, with parliamentary oversight for appointment provided by the JCPAA, and dismissal by the Parliament as outlined, the committee is satisfied that independence of office can be maintained.
- 4.121 In relation to the term of office for the Parliamentary Budget Officer, the committee has recommended that it be renewable and for a period of four years. The committee was of the view that the timeframe for the term of office include a parliamentary cycle to enable greater ease of corporate planning. The term of office as recommended by the committee is similar to that in place for the Director of the Congressional Budget Office of the United States of America.

Oversight and accountability

- 4.122 The committee believes that because of the established oversight role of the JCPAA over the operations of the Auditor-General, that it is an appropriate committee to undertake, on the behalf of the Parliament, the oversight role of the Parliamentary Budget Officer and their PBO.
- 4.123 In relation to reporting requirements, the committee understands the Auditor-General and the parliamentary departments must comply with legislation including the *Financial Management and Accountability Act 1997 (Cwlth)* and *Commonwealth Authorities and Companies Act 1997 (Cwlth)*. These acts require agencies to be responsible in their financial management and produce an annual report which includes audited financial statements to be tabled in the Parliament. The committee understands that the operations of the Parliamentary Budget Officer should also be subject to these legislative requirements. This would require the Parliamentary Budget Officer, through the appropriate mechanism to produce an annual report which includes its audited annual financial statements, a report of activities undertaken during the financial year and a Director's report.
- 4.124 In regard to oversight of workload and negotiating work priorities, the committee believes that the PBO should establish protocols which outline the priorities of meeting client requests and have these protocols subject to approval by the JCPAA.
- 4.125 In addition, the committee believes that it would be appropriate for the Parliamentary Budget Officer to formulate his/her work program after consultation with the JCPAA, other standing and statutory committees and individual Members and Senators. But to retain independence of office, final decision rights on the PBO's work program should be fashioned similarly to that which applies to the Auditor-General.

Evaluation

- 4.126 There were a number of proponents of evaluation of the PBO. The committee believes that ongoing operational evaluation by an independent external body is required to ensure that the PBO continues to meet its obligations under its mandate and meet the changing needs of the Parliament.
- 4.127 In addition, evaluation of the PBO completed within nine months after an election is held, should focus on the extent to which the PBO is meeting its requirements under its establishing legislation, in line with the level of funding it receives. Undertaking an operational evaluation of the PBO in

the specified period would allow sufficient time for the PBO to establish its operational and reporting routine.

- 4.128 The committee believes there is a role for the JCPAA in ensuring that there is parliamentary oversight in the process to engage an independent organisation, to undertake the formal evaluation. This could be done by requiring through legislation, that the Parliamentary Budget Officer consult with the JCPAA in regard to the engagement of an independent organisation undertaking the evaluation. The final evaluation report could then be tabled in the Parliament and referred to the JCPAA for possible review.

Recommendation 10

- 4.129 **The committee recommends that the position of Parliamentary Budget Officer be established as an independent officer of the Parliament through dedicated legislation.**

Recommendation 11

- 4.130 **The committee recommends that the legislation establishing the Parliamentary Budget Officer include provisions to establish the Parliamentary Budget Office to support the work of the Officer.**

Recommendation 12

- 4.131 **The committee recommends that the legislation establishing the office of Parliamentary Budget Officer include the Officer's: mandate, functions, maintaining confidentiality of information provisions, parliamentary oversight, reporting requirements, appointment, dismissal, remuneration determination arrangements, and term of office.**

Recommendation 13

- 4.132 The committee recommends that the Parliamentary Budget Officer access information from Government departments through a negotiated memorandum of understanding with the Departments of the Treasury and of Finance and Deregulation and other departments or organisations as necessary.

Recommendation 14

- 4.133 The committee recommends that the Parliamentary Budget Officer be empowered to use the formal processes provided through the *Freedom of Information Act 1982* (Cwlth) without cost to the Parliamentary Budget Officer, in the event that particular information is not provided by a Government department in accordance with any established memorandum of understanding, and the PBO is not satisfied by the rationale of the department for declining to disclose information.

Recommendation 15

- 4.134 The committee recommends that the legislation establishing the office of Parliamentary Budget Officer include specific provisions to maintain the confidentiality of the sensitive information held within the Parliamentary Budget Office.

Recommendation 16

- 4.135 The committee recommends that wherever possible, in the interest of transparency and accountability the work of the Parliamentary Budget Office be made publicly available.

Recommendation 17

- 4.136 The committee recommends that responses by the Parliamentary Budget Office to requests from individual parliamentarians, outside the caretaker period for general elections, be provided in confidence, where it has been specifically directed by the client to do so.

Recommendation 18

- 4.137 The committee recommends that where possible, the work that has gone into the preparation of a response to a client request be made available to be included in the public reports of the Parliamentary Budget Officer. This may involve negotiating, with relevant Senators and Members for the public release of work prepared on their behalf, while withholding information about the original request, such as the identity of the parliamentarian and other substantive information requested, to remain in confidence.

Recommendation 19

- 4.138 The committee recommends that the Parliamentary Budget Officer be empowered to make public statements, in particular where they consider that their work has been misrepresented in the public domain.

Recommendation 20

- 4.139 The committee recommends that the reporting provisions under the establishing legislation require the Parliamentary Budget Officer to formulate an annual work program, draft budget estimates and an annual report in line with the *Financial Management and Accountability Act 1997* (Cwlth) and the *Commonwealth Authorities and Companies Act 1997* (Cwlth).

Recommendation 21

- 4.140 The committee recommends that, with the exception of term of office provisions, the appointment, dismissal and remuneration determination processes of the Parliamentary Budget Officer be in line with similar provisions contained in the *Auditor-General Act 1997 (Cwlth)*.

Recommendation 22

- 4.141 The committee recommends that the term of office of the Parliamentary Budget Officer be for a period of four years, with the option of renewing the appointment.

Recommendation 23

- 4.142 The committee recommends that the Joint Committee of Public Accounts and Audit (JCPAA) have oversight of the Parliamentary Budget Officer and their office in regard to the annual work program, draft budget estimates, and annual report, in line with similar provisions in the *Auditor-General Act 1997 (Cwlth)*. This includes a formal role for the JCPAA in endorsing the workload protocols applicable to the Parliamentary Budget Office.

Recommendation 24

- 4.143 The committee recommends that an independent body be engaged to undertake an operational evaluation of the Parliamentary Budget Office, completed within nine months after the result of a Federal election is notified. On completion, the evaluation report should be tabled in the Parliament and referred to the Joint Committee of Public Accounts and Audit for possible review.

Recommendation 25

- 4.144 **The committee recommends that the proposal to engage an independent body for the purpose of undertaking the operational evaluation of the Parliamentary Budget Office be referred to the Joint Committee of Public Accounts and Audit for consideration and endorsement.**

Resourcing and physical location

Introduction

- 5.1 The Parliamentary Budget Officer and their staff will require extensive knowledge, expertise and experience, particularly in the area of Government finance and public policy, in order to undertake the assigned functions of providing policy costings advice and analysis of budgetary related matters to the Parliament.
- 5.2 In addition, the funding allocated for the operations of the Parliamentary Budget Office (PBO) will need to be commensurate with the work that it undertakes to ensure that the PBO meets the requirements outlined in its mandate and so is deemed effective.
- 5.3 This chapter provides a broad outline of the staffing and funding arrangements and associated issues such as employment provisions of staff, which may apply to the PBO. The issues associated with the physical location of the PBO are also discussed.

Staffing

Staff qualifications, experience and associated issues

- 5.4 The Departments of the Treasury and of Finance and Deregulation (Treasury and Finance) stated that the remuneration and level of the head

of the PBO 'should be determined in [the] context of the mandate of the PBO and institutional design.'¹

5.5 Treasury and Finance further commented that there is a skill shortage of the types of professionals that a PBO would generally employ. Treasury and Finance advocated that PBO staff 'will need to be highly qualified in areas such as economics, Government finances and public policy.'²

5.6 The Department of Parliamentary Services (DPS) was of a similar view in relation to the experience and skill base of the Parliamentary Budget Officer and PBO staff and stated:

In addition to being headed by an officer with outstanding economic and financial credentials, the staff in the office will need to be highly numerate and very well qualified in areas such as government finance, economics and social policy. Staff will need high level communication skills and be able to work flexibly to cope with the demands from clients. Senior staff will need to be capable of providing clear and measured verbal advice to committees.³

5.7 Further, Treasury and Finance stated that it would take time to acquire the right mix of in-house skills if the PBO were to undertake policy costing. Treasury and Finance stated:

... should the mandate of the PBO include the costing of policies, it will likely take some time to attract the right mix of in-house skills and during the establishment phase, there may be a need to draw more heavily on external consultants. While the PBO may be able to access financial information and models from the Treasury and Finance, extensive professional knowledge and experience will also be required to utilise and interpret the information.⁴

5.8 DPS commented that 'it is essential that pay rates be comparable to those of officers of the Treasury and Finance, and the Productivity Commission.'⁵

5.9 The Auditor-General added:

The PBO would need to be staffed by people with specialist skills and experience, and would require the flexibility to engage

1 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 15.

2 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 15.

3 Department of Parliamentary Services, *Submission 4*, p. 8.

4 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 15.

5 Department of Parliamentary Services, *Submission 4*, p. 8.

specialist contractors as required and to second staff from other agencies on an agreed basis.⁶

- 5.10 Civil Liberties Australia (CLA) stated that PBO staff would need to be well trained with a high level of technical skill and significant experience in the budget process to provide the PBO with a reputation in producing quality of product. CLA stated:

The PBO will require very high quality staff, and plenty of them, so as to be able to earn a reputation in the first decade for absolutely unimpeachable quality output. The PBO will need well-trained people with a high level of technical skill, a somewhat academic (although not too theoretical) bent, and senior staff leading with significant experience of the budget process.⁷

- 5.11 Further, CLA emphasised the importance of maintaining the neutrality of PBO staff to ensure independent financial analysis and stated:

Non-partisanship – and the unfettered ability to remain independent – is mandatory. It is a must because often the way to analyse a budget proposal might be open to some debate, and you want the methodological approach to be chosen on the basis of sound judgment, not political expediency.⁸

Staff employment framework

- 5.12 Two options were presented to the committee in relation to the employment framework which would provide for the engagement of PBO staff. These options were to either employ staff under the *Public Service Act 1999 (Cwlth)* or the *Parliamentary Service Act 1999 (Cwlth)*.
- 5.13 The *Australian Public Service Act 1999 (Cwlth)*, the employment framework for Government departments, provides that public servants be responsive to the government and to work ‘within the framework of ministerial responsibility to the Government, the Parliament and the Australian public’.⁹ Whereas, the *Parliamentary Service Act 1999 (Cwlth)* requires staff of parliamentary departments to ‘provide professional advice and support for the Parliament independently of the Executive Government of the Commonwealth’.¹⁰

6 Australian National Audit Office, *Submission 15*, p. 3.

7 Civil Liberties Australia, *Submission 7*, p. 3.

8 Civil Liberties Australia, *Submission 7*, p. 3.

9 Section 10(e), *Australian Public Service Act 1999 (Cwlth)*.

10 Section 10(1)(a), *Parliamentary Service Act 1999 (Cwlth)*

5.14 While the Auditor-General is an independent officer of the Parliament, the staff of the Australian National Audit Office (ANAO) are employed under the *Public Service Act 1999 (Cwlth)*. In regard to how this arrangement works in practice, the Auditor-General stated:

... the staff of the Australian National Audit Office (ANAO) and its predecessors have always been employed on the same terms and conditions as the broader Australian Public Service (APS). This recognises that the ANAO is an APS agency and the Auditor-General, while independent, is the Chief Executive of the ANAO, and abides by the legislative and policy frameworks applicable to an APS agency.¹¹

5.15 In addition, the ANAO's enterprise agreement provides flexibility to set the terms and conditions of employment for staff that have the relevant skills and experience required. The Auditor-General qualified this approach and stated:

... if, however, I considered at any time that this situation unduly impinged on my audit responsibilities, I would raise the matter with the Government in the first instance.¹²

5.16 The DPS stated that the ANAO, like the Productivity Commission, ultimately serves the Government, and is accountable to the Parliament via a Minister which could create perceptions of conflict.¹³

5.17 The option of employing staff under the *Parliamentary Service Act 1999 (Cwlth)*, was put forward by DPS and the Parliamentary Librarian in the context of creating the PBO as a parliamentary agency alongside or within DPS.¹⁴

5.18 The New South Wales (NSW) PBO legislation provides that staff are employed as parliamentary officers. The Clerk of the NSW Legislative Assembly explained:

Staff of the Parliamentary Budget Office are to be employed by the Presiding Officers. While they are under the joint control of the Presiding Officers, directions to such staff in relation to the exercise of the functions of the Parliamentary Budget Officer can only be given by the Parliamentary Budget Officer or another

11 Australian National Audit Office, *Submission 15.1*, p. 1.

12 Australian National Audit Office, *Submission 15.1*, p. 1.

13 Department of Parliamentary Services, *Submission 4*, p. 7.

14 Department of Parliamentary Services, *Submission 4*, p. 11; Office of the Parliamentary Librarian, *Submission 10*, p. 11.

member of staff of the Parliamentary Budget Office authorised by the Parliamentary Budget Officer.¹⁵

Funding

- 5.19 The Organisation for Economic Co-operation and Development (OECD) stated that PBOs should be given resources ‘commensurate with their mandate in order for them to fulfil it in a credible manner.’¹⁶ Further, in determining a PBO’s budget, the OECD supported the same approach taken to determine the budget of audit offices.¹⁷
- 5.20 The Auditor-General did not comment on the level of funding that may be required for a PBO, but stated that ‘it would be important that it receive sufficient funding to be able to fulfil its mandate.’¹⁸
- 5.21 This view was also shared by Treasury and Finance. Treasury and Finance stated that:
- In order for the PBO to operate effectively, the resources provided need to be aligned with its mandate. This is important in order for the PBO to engage the appropriate staff and potentially consultants, and develop the necessary expertise required to produce high quality output.¹⁹
- 5.22 In addition, Treasury and Finance cautioned against duplication of its functions by the PBO and stated:
- In considering the mandate for the PBO and its resource implications, consideration will need to be given to duplication of work. If the PBO is provided with the same or similar functions to those of the Treasury and Finance, two distinct streams of activity would be funded to provide essentially the same product.²⁰
- 5.23 The Parliamentary Librarian commented that the PBO’s budget would need to be significant for it to effectively perform its role. Further, underfunding the PBO could become contentious as occurred in relation to the Canadian PBO budget. The Parliamentary Librarian explained:

15 Department of the NSW Legislative Assembly, *Submission 19*, p. 3.

16 Organisation for Economic Co-operation and Development, *Submission 8*, p. 2.

17 Organisation for Economic Co-operation and Development, *Submission 8*, p. 2.

18 Australian National Audit Office, *Submission 15*, p. 3.

19 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 14.

20 Departments of the Treasury and of Finance and Deregulation, *Submission 16*, p. 14.

Without a significant budget the Parliamentary Budget Office will be unable to effectively perform the role it is tasked to do. The initial limited funding of the Canadian PBO has led to significant political debate, aggrieved staff and aggrieved members of parliament.²¹

5.24 The Parliamentary Librarian suggested funding the PBO to provide for:

- a head of office at a very senior (suggest Senior Executive Service) level;
- senior research, research and support staff (primarily senior research staff) and technical specialists (note that the employee expenses will include 13% superannuation, training and other employee costs);
- external services commissioned to answer enquiries, including external specialists (based on the experience with the pre-election policy service);
- publications and data required to provide analysis;
- information resources; and
- running costs and consumables including support such as for personnel and finance systems.²²

5.25 DPS suggested taking into consideration the impact of the efficiency dividends and the adverse impact this could have on the PBO's services, that the PBO's budget could be jointly endorsed by representatives of the Parliament and the Government. DPS stated:

The issue of efficiency dividends could have adverse consequences for the ability of the PBO to provide high quality services in the long-term. The Committee may wish to endorse a funding model where the budget for the PBO is recommended by the longer-term Standing Committee (that oversees the PBO) to the Presiding Officers and Government. This approach would be unusual for the Australian public sector, but is an approach which is utilised to set overall funding levels for the Canadian House of Commons and the UK House of Commons.²³

5.26 The Clerk of the Senate stated that the resourcing requirements of the PBO will likely have implications for the funding of parliamentary departments and possibly lead to the reallocation of resources across the departments. This could, in turn lead to reductions in the level of services provided to

21 Office of the Parliamentary Librarian, *Submission 10*, p. 11.

22 Office of the Parliamentary Librarian, *Submission 10*, p. 11.

23 Department of Parliamentary Services, *Submission 4*, p. 9.

Senators required for them to fulfil their constitutional functions. The Clerk of the Senate urged the committee to reject this option.²⁴

- 5.27 The Clerk of the Senate also stated that even if the PBO was created as a standalone, independent body, that pressure may still be placed on prioritising funding bids by chamber departments. The Clerk of the Senate stated:

Even if the office is to receive new funding, there could be pressure to prioritise funding bids by the chamber departments and other funding bids by DPS, leaving the Senate Department potentially disadvantaged. The establishment of a PBO as a completely independent standalone body outside the structure of the parliamentary departments would not alleviate this risk.²⁵

- 5.28 The Clerk of the House of Representatives advocated that the PBO should be funded in its own right, separate from the funding provided to parliamentary departments. The Clerk of the House of Representatives stated:

... we recognise that the Parliamentary Budget Office may represent a significant increase in expenditure, at least in terms of the funding of the parliamentary departments. As this is a new initiative that has arisen from the various agreements for parliamentary reform, if it is proceeded with it should be funded in its own right. It would be unfortunate if a request for funding for a core function were to be questioned or rejected on the basis that '\$x million had been provided to Parliament to support the PBO, and here they are asking for additional funds'.²⁶

- 5.29 The NSW PBO has been funded for \$4 million which includes \$1 million for corporate set-up and \$3 million annual recurrent funding. This amount provides for 12 to 16 qualified and experienced economists, accountants and financial analysts.²⁷

- 5.30 DPS provided three estimates for the PBO's budget. These were:
- Over \$8 million per annum to employ up to 30 staff and employment of external experts on demand. The PBO could operate as a publications model, and provide major papers commissioned by parliamentary committees, annual reports on the budget and costs of specific policy

24 Department of the Senate, *Submission 6*, p. 6.

25 Department of the Senate, *Submission 6*, p. 7.

26 Department of the House of Representatives, *Submission 2*, p. 2.

27 Office of the Parliamentary Librarian, *Submission 10*, p. 12.

proposals. This model does not include answering questions from individual Members of Parliament.

- \$8 million per annum to employ up to 30 staff and employment of external experts on demand. The PBO could undertake client requests and publications and have a significant research capacity.
- \$6 million per annum to employ up to 20 staff and employment of external experts on demand. The PBO could undertake client requests and publications, but with limited research capacity.²⁸

5.31 The Auditor-General suggested that organisational efficiencies and budget savings could be gained by sharing the corporate support services of an existing agency. This could be arranged through a memorandum of understanding between the PBO and the relevant agency.²⁹

Physical location

5.32 The Federal Coalition suggested the PBO should be physically located within Parliament House.³⁰

5.33 The Parliamentary Librarian advised of the need for a close working relationship between the PBO and Parliamentary Library and suggested co-location of accommodation. The Parliamentary Librarian stated:

No matter what model is used, there will need to be a close relationship between the Parliamentary Budget Office and Library for efficient and effective services for members of parliament. Co-location of accommodation and a close relationship between the management teams and staff is recommended.³¹

5.34 DPS commented that office space is available in the basement area of Parliament House and to make office space available in other areas would have an associated fit-out cost. DPS stated:

We currently have people in the basement. I regard it as non-acceptable, and that is why we are creating some better ground-level space just beyond the staff dining room. It just is not acceptable. So our view is that with the investment of some money

28 Department of Parliamentary Services, *Submission 4*, p. 13.

29 Australian National Audit Office, *Submission 15*, p. 2.

30 Federal Coalition, *Submission 14*, p. 1.

31 Office of the Parliamentary Librarian, *Submission 10*, pp 12-13.

we could create some further above-ground office space. We would probably do that behind the recreation area; there is another space there. Whether we put the PBO in there or put some other people in there to create space closer to the library would be for discussion.³²

- 5.35 The Auditor-General commented that although office space at the ANAO had recently been leased out, that it would still be possible for the PBO to be located within its premises. The Auditor-General stated:

At the moment, we do not have any space; we have actually rented out some of our building to other parties. Co-location, if it just meant utilising space next door to us, would not be a problem at a conceptual level. We have just contracted out the space for some years, but that could always be reorganised.³³

Concluding comments

Staff qualifications, experience and associated issues

- 5.36 The Parliamentary Budget Office (PBO) will need to be staffed by highly qualified and experienced professionals with economic and financial analysis skills, specific to Government finances and public policy.
- 5.37 Taking into consideration the current skills shortage in the field of financial services, the committee acknowledges and agrees with evidence received which advocates pay rates and employment levels for the Parliamentary Budget Officer and their staff will need to be comparable to those in the Departments of the Treasury and of Finance and Deregulation and the Productivity Commission. In addition, the option to contract in additional expertise should also be considered to supplement the knowledge base of the PBO as required.
- 5.38 In accordance with evidence received, the committee also acknowledges that the staff of the PBO will need to maintain neutrality and exercise judgement in their approach to the work they undertake to ensure the PBO's independence.

32 Mr Alan Thompson, Department of Parliamentary Services, *Transcript of Evidence*, 28 February 2011, p. 13.

33 Mr Ian McPhee, Australian National Audit Office, *Transcript of Evidence*, 28 February 2011, p. 3.

Staff employment framework

- 5.39 The committee considered the *Public Service Act 1999 (Cwlth)* and the *Parliamentary Service Act 1999 (Cwlth)* as possible legislative frameworks for the employment of staff within the PBO. The Public Service Act is the legislative framework for employment within Government departments, whereas the Parliamentary Service Act provides the legislative framework for employment within parliamentary departments.
- 5.40 The Public Service Act has provided a workable framework for the Australian National Audit Office (ANAO) in serving the Auditor-General, an independent Officer of the Parliament. However, the committee notes that the mandate of the PBO establishes a special role to provide responses to requests of individual Senators and Members, which is a different role to that of the ANAO.
- 5.41 The Special Minister of State provides ministerial oversight of the ANAO. A similar arrangement for the PBO may raise perceptions of inappropriate relationships between Executive Government and the PBO. Further consideration of the applicability of both the Public Service Act and the Parliamentary Service Act for the engagement of employees of the PBO is warranted.

Funding

- 5.42 The committee acknowledges evidence which states that the funding level of the PBO should be commensurate with the type of work that it will be required to undertake. This will ensure that the PBO will be adequately resourced and able to perform its functions effectively.
- 5.43 The Department of Parliamentary Services (DPS) has suggested three funding options ranging from \$6 to \$8 million per annum. The committee makes its determination on the level of funding for the PBO to be no less than \$6 million per annum. This will allow for the engagement of a PBO with an estimated staffing level of between 12 to 15 staff with the requisite skills, knowledge and experience. The committee makes its determination of possible staffing numbers based on the estimates provided in the body of the Chapter and understands it will be the responsibility of the Parliamentary Budget Officer to determine staffing numbers in line with allocated funding.

Physical location

- 5.44 The committee does not believe there is a substantial advantage in locating the PBO within Parliament House. Given the current space and cost limitations to creating additional office accommodation within Parliament

House, the committee believes the PBO would be best placed outside of Parliament House, but within close proximity to Parliament House, with the possibility of co-locating with another, established organisation.

Recommendation 26

- 5.45 The committee recommends that the Office of the Parliamentary Budget Officer be provided with ongoing funding of no less than \$6 million per annum with consideration being given to additional resourcing for election years.

Recommendation 27

- 5.46 The committee recommends that the annual draft budget of the Office of the Parliamentary Budget Officer be considered by the Joint Committee of Public Accounts and Audit, and that this committee explicitly review the adequacy of additional funding provided for election years.

Recommendation 28

- 5.47 The committee recommends that the Australian Government explore locating the Parliamentary Budget Office within close proximity to Parliament House or co-locating it with an established organisation for the purpose of gaining administrative efficiencies.

Senator the Hon John Faulkner
Chair
16 March 2011



Appendix A – Submissions and exhibit

Submissions

- 1 Department of the Legislative Council, Parliament of New South Wales
- 2 Department of the House of Representatives
- 3 Northern Ireland Assembly
- 4 Department of Parliamentary Services
- 4.1 Department of Parliamentary Services (SUPPLEMENTARY to Submission 4)
- 5 Joint Standing Committee on the Parliamentary Library
- 6 Department of the Senate
- 6.1 Department of the Senate (SUPPLEMENTARY to Submission 6)
- 7 Civil Liberties Australia
- 8 Organisation for Economic Co-operation and Development
- 9 Australian Chamber of Commerce and Industry
- 10 Office of the Parliamentary Librarian
- 11 House of Commons Scrutiny Unit
- 12 Mr Peter Hicks
- 13 Public Policy Institute, Australian Catholic University
- 14 Federal Coalition
- 15 Australian National Audit Office
- 15.1 Australian National Audit Office (SUPPLEMENTARY to Submission 15)

- 16 The Departments of the Treasury and of Finance and Deregulation
- 16.1 The Departments of the Treasury and of Finance and Deregulation
(SUPPLEMENTARY to Submission 16)
- 17 Business Council of Australia
- 18 Mr Stephen Bartos
- 19 Department of the Legislative Assembly, Parliament of New South Wales
- 20 Australian Adam Smith Club
- 21 Dr Charles Lawson

Exhibit

- 1 Office of the Parliamentary Budget Officer, Canada

Mr Kevin Page, Canadian Parliamentary Budget Officer, *Submission to the Joint Select Committee on the Parliamentary Budget Office – Parliament of Australia, 17 December 2010*



Appendix B – Witnesses

Tuesday, 1 February 2011 - Canberra

Individuals

Mr Stephen Bartos

Department of Finance and Deregulation

Mr Stein Helgeby, Deputy Secretary, Financial Management Group
Mr David Martine, Deputy Secretary, Budget Group

Department of Parliamentary Services

Mr David Kenny, Acting Secretary
Ms Roxanne Missingham, Parliamentary Librarian

Department of the House of Representatives

Mr Bernard Wright, Clerk
Mr David Elder, Deputy Clerk

Department of the Senate

Dr Rosemary Laing, Clerk of the Senate

Department of the Treasury

Mr Nigel Ray, Executive Director, Fiscal Group
Ms Jan Harris, General Manager, Budget Policy Division, Fiscal Group
Ms Maryanne Mrakovcic, General Manager, Tax Analysis Division,
Revenue Group
Mr Colin Brown, Manager, Tax Analysis Division, Revenue Group

Tuesday, 8 February 2011 - Canberra

Office of the Parliamentary Budget Officer, Canada

Mr Kevin Page, Parliamentary Budget Officer
Dr Mostafa Askari, Assistant Parliamentary Budget Officer
Mr Sahir Khan, Assistant Parliamentary Budget Officer

Monday, 28 February 2011 - Canberra

Public Policy Institute, Australian Catholic University

Professor Scott Prasser, Executive Director
Mr John Nethercote, Adjunct Professor

Australian National Audit Office

Mr Ian McPhee PSM, Auditor General
Mr Russell Coleman, Audit Principal

Department of Parliamentary Services

Mr Alan Thompson, Secretary