
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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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.

