

**PARLIAMENTARY BUDGET OFFICE REVIEW
2016-17**

REPORT OF THE INDEPENDENT REVIEW PANEL

Dr Ian Watt AC
Mr Barry Anderson

March 2017

Senator Dean Smith
Chair
Joint Committee of Public Accounts and Audit
Parliament House
Canberra ACT 2600

17 March 2017

Dear Senator Smith

On 14 November 2016 you announced the formation of this independent review into the Parliamentary Budget Office, with the report to examine and make recommendations on the scope for it to build on the foundations it has established. The review's report is attached.

The PBO has been a successful institutional development in Australian governance. It has made a good start as an organisation, and has filled a significant gap in Australia's public policy landscape.

The PBO is regarded by stakeholders as an independent and non-partisan organisation that produces rigorous analysis relevant to public policy debate. This review has reached a similar conclusion. Notwithstanding this, we have made a number of recommendations that will help to improve the PBO's operations.

Our report has benefited from consultation with a range of stakeholders including parliamentarians, Commonwealth Government Departments and Agencies, academics, external think tanks, international institutions and the media. We would like to thank all stakeholders for their contribution to this report.

We would also like to thank the small secretariat that worked on the report for their great contribution and support: Tony McDonald, Joy Swift and Elizabeth Wakerly.

We look forward to discussing the report with the JCPAA.

Yours sincerely



Dr Ian Watt AC
Chair



Mr Barry Anderson

Terms of Reference

1. The review panel will examine, report and make recommendations on the scope for the Parliamentary Budget Office (PBO) to build on the foundations it has established and continue to strengthen its ability to achieve its aims of:
 - a. providing a more level playing field for all parliamentarians in their access to publicly funded policy costings and budget analyses
 - b. improving the accuracy of costings of election commitments
 - c. enhancing the transparency and public understanding of budget information and fiscal policy settings.
2. The review panel will have regard to:
 - a. the PBO's legislative mandate
 - b. the Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in relation to the provision of information and documents
 - c. the Australian Government protocols governing the engagement between Commonwealth Bodies and the Parliamentary Budget Officer
 - d. the impact of the PBO's outputs on achieving the above objectives, including the manner and extent of their use in public policy debates
 - e. the views of the PBO's primary stakeholders, including parliamentarians, parliamentary parties, parliamentary committees, other Commonwealth agencies and external think tanks
 - f. the experience of comparable international institutions
 - g. the PBO's resourcing.
3. The panel will finalise its review by 10 April 2017 and present its report to the Joint Committee of Public Accounts and Audit.

Executive Summary

The Parliamentary Budget Office (PBO) commenced operations in 2012 with broad support from the Parliament. The structure, resourcing and protocols for the PBO reflected the recommendations of the Joint Select Committee on the Parliamentary Budget Office.

The PBO's legislation enables the Joint Committee of Public Accounts and Audit (JCPAA) to commission an independent review of the operations of the PBO after a general election.

In 2013 this role was played by a performance audit by the Australian National Audit Office (ANAO). The JCPAA concluded in response that, in a short period of time, the PBO had developed into a well-regarded, credible, independent, non-partisan source of expertise on the budget cycle, fiscal policy and policy costings.

On 14 November 2016 the JCPAA announced the establishment of this independent review into the PBO. Building on previous reviews, this report seeks to identify the factors that have contributed to the PBO's performance to date, identify areas for improvement and suggest directions for how the PBO might evolve over time.

International experience demonstrates that the two essential characteristics for organisations like the PBO to be successful are that they are independent and their work is seen to be relevant.

The PBO is regarded as an independent and non-partisan organisation that produces rigorous analysis relevant to public policy debate. The PBO has sought to inform public policy debate, rather than be an active participant. The PBO has been used by both major parties (while in Opposition), minor parties, independents and backbench members, with demand growing rapidly since its establishment.

Overall, the PBO has been a successful institutional development in Australian governance. It has made a good start as an organisation, and has filled a significant gap in Australia's public policy landscape.

Level playing field for costings

A key rationale for the formation of the PBO was to develop a more level playing field by reducing the inherent advantage of incumbency in relation to policy costings and development. The ANAO found that the PBO had made a significant contribution to levelling the playing field for costings. However, while parliamentarians endorsed the ANAO's finding, some noted that the playing field is unlikely to ever be fully level.

Reliability ratings of costings

Costings, no matter who prepares them, are subject to inherent uncertainty arising from data limitations and the number and nature of assumptions required. To highlight this uncertainty the PBO includes a one-word reliability rating in each of its costing response documents.

This reliability rating is not a reflection of the quality of the costing analysis undertaken. However, their inclusion in PBO costings has been widely misinterpreted as a reflection of the quality of the PBO's estimates, rather than the uncertainty inherent in the costing process.

Best practice in budget transparency would suggest that more information, not less, should be provided about the uncertainty involved in costing estimates. A better way of reflecting this uncertainty would be for the PBO to replace the reliability rating with a statement on the factors that can affect uncertainty. Where elements of a costing are subject to particular uncertainty, the PBO should provide more detailed qualitative commentary to explain these elements.

Setting priorities for costings

The PBO does not have a formal policy for setting priorities for parliamentarians' requests, relying on informal discussions to determine relative priority. In the face of increasing demand and limited resources, the PBO should develop and publish the principles and processes that it would follow in setting priorities for requests from parliamentarians.

Timeliness of PBO costing responses

The most common criticism of the PBO's work by parliamentarians is the time taken to respond to costing requests, particularly in peak periods. The PBO may be able to enhance its surge capacity by entering into secondment arrangements, and should also explore other mechanisms to improve the timeliness of responses.

Accuracy of costings of policies, including election commitments

Stakeholders were generally satisfied with the accuracy of PBO analysis, noting that its costings are regarded as professional, accurate and rigorous.

Independent expert advisory panel on technical issues

External input to PBO analysis is currently limited to peer reviews of PBO self-initiated research reports. The quality and credibility of PBO analysis would be enhanced by establishing an independent external expert advisory panel that the PBO could consult as needed on technical issues in relation to costings as well as self-initiated research reports. However the panel would under no circumstances have access to, or input into, any costing.

Access to data and models from Government Departments and Agencies

Timely access to data and models is essential to the PBO's ability to prepare costings consistent with the baseline budget estimates. While the PBO does not have a legislative guarantee of access to all relevant information, the non-legally binding Memorandum of Understanding covering the provision of information is working well, reflecting the co-operative, non-adversarial nature of the relationship between the PBO and Government Departments and Agencies. There have been very few instances where the accuracy of PBO costings has been affected by the lack of access to information.

Moreover, information provided is timely, with nearly 95 per cent of requested information received on time in 2015-16.

Collaborative relationship with Government Departments and Agencies

The PBO could work more closely with Government Departments and Agencies to understand the composition of baseline budget estimates. This could include greater collaboration at the early stages of model and data development, secondments, regular technical discussions and, as noted by the ANAO, providing Departments and Agencies with sufficient context in relation to information requests to ensure they provide the most relevant information.

Ex-post analysis of costings

International best practice is to regularly formally review costings and other budget-related estimates to identify areas for improvement in costing methodology and protect against systemic errors in estimates. The PBO may help improve the accuracy of its costings by conducting a regular, ex-post analysis of a limited selection of costing estimates.

Transparency and public understanding of budget and fiscal policy settings

The PBO's primary mechanism for increasing transparency and public understanding of budget and fiscal policy settings is through its self-initiated research program.

Wider consultation on self-initiated research work plan

The PBO consults with the JCPAA in the preparation of its annual work plan. This process would benefit from a specific presentation to the JCPAA on the PBO's proposed self-initiated research program, providing a broad outline and rationale for the planned reports.

The PBO should also broaden its consultation base to help generate ideas for research and better tailor research to topics of interest to the Parliament. A more interactive process would also promote increased awareness among parliamentarians of the self-initiated reports and their link to costing work.

Evolution of the PBO's activities

The evolution of the PBO's activities will depend on a variety of factors. There is no ideal path to follow, and that evolution will be shaped by factors external to the PBO. That said, most Independent Fiscal Institutions allocate a higher proportion of resources to long-term fiscal sustainability analysis than the PBO.

The review panel saw value in suggesting a possible evolutionary path for the PBO to consider, reflecting both its comparative advantage and the focus of the Australian public policy debate.

The evolution of the PBO's activities should follow a three-step process. First, the PBO should continue to build on its medium-term fiscal sustainability work. Second, the PBO should build its capacity to analyse the underlying, long-term drivers of the budget. Finally, as the PBO's longer-term analytic ability develops, it would be well positioned to take responsibility for the next Intergenerational Report should the Government of the day decide to transfer it to the PBO.

Increasing public understanding of the costing process

While the PBO has published technical guidance for parliamentarians on costing procedures, it has provided little explanation of the costing process beyond what is contained in the *Charter of Budget Honesty Costing Guidelines*. Public understanding of the PBO's work would be enhanced if it published non-technical information explaining its approach to costings.

Public release of confidential PBO costing response documents

The ability for parliamentarians to submit confidential costing requests to the PBO is essential. The legislation provides very strong protection for confidentiality around costing requests, with the PBO only able to comment on confidential requests where it is satisfied that the public interest requires it. In determining this, the PBO considers whether it has been materially misrepresented.

The question of whether a confidential costing response document should remain confidential is less clear once a parliamentarian makes a policy announcement that includes reference to PBO estimates from the costing.

While the review panel decided, on balance, not to recommend any change to the current confidentiality arrangements, it is appropriate to make more transparent the extent to which PBO costing estimates are used without releasing the underlying PBO costing documents.

Increasing the value of the Post-election Report

The PBO's legislation requires the publication of a Post-election Report setting out the financial impact of the election commitments of political parties with five or more parliamentarians within 30 days of the end of the caretaker period following a general election.

Some stakeholders argued that the Post-election Report served as an important source of fiscal discipline on parliamentary parties. Nevertheless, many stakeholders noted that, while worthy documents, both the 2013 and 2016 Post-election Reports received little attention, and had very little impact on public policy debate.

This probably reflected the timing of the release of the report. The relevance of the Post-election Report would be enhanced by enabling its publication to be delayed until nearer to or at the resumption of parliamentary sittings following a general election.

In order to more accurately represent the budget impact of election commitments, the Post-election Report could also include the financial impact over the medium term of major policy proposals. This would help to ensure the full ongoing impact is presented.

Minor parties and independent members now play a prominent role on some budget-related issues. To reflect this, parties with fewer than five Members or Senators should be given the option to have the financial impact of their election commitments included in the Post-election Report.

Budget chart packs

Many stakeholders reported that they found the PBO budget chart packs to be of limited benefit. The PBO should re-assess the need to publish these reports.

Resources and governance

The PBO receives an annual appropriation of around \$7 million and an additional appropriation of around \$0.5 million in election years. It was also provided with a one-off special appropriation of \$6 million on its establishment. The PBO operated primarily within its ongoing appropriation to the end of 2015-16, drawing on its special appropriation only to meet some of the capital costs associated with its establishment.

From 2016-17 the PBO will need to draw-down from its special appropriation to meet ongoing expenses associated with rapidly growing demand for its work. On current projections the special appropriation will be exhausted by the end of 2020-21.

The PBO must, to the greatest extent possible, meet demand for its services from within its current budget. The onus is on it to demonstrate that it is setting priorities effectively and operating efficiently. However, even then, it is very likely that, at some point in the life of the next Parliament, parliamentarians and the then Government will face a choice of either providing additional resources to the PBO or seeing a signification reduction in its activities.

Finally, the PBO should repeat the confidential survey of stakeholders it conducted in 2015 once in each term of Parliament.

Progress against the recommendations in this report should be a key focus of the review of the PBO following the next general election.

List of recommendations

Level playing field for costings

1. The PBO should replace the reliability rating in its costing response documents with a statement on the factors that can affect the uncertainty of that type of policy costing. The PBO's costing response documents should expand existing qualitative comments on reliability to highlight particularly uncertain elements of the specific policy when that is appropriate.
2. The PBO should further develop and publish principles and processes to help set priorities in relation to requests from parliamentarians for costings and budget analysis, having regard to:
 - i. the relevance of the request to matters expected to be before the Parliament
 - ii. the level of representation of the requesting political party in Parliament
 - iii. the level of priority given to the request by the parliamentarian's political party and/or the parliamentarian, and
 - iv. the level of resources required to complete the request.
3. The PBO should take action within its resource constraints to improve the quality and timeliness of its responses to parliamentarians' requests for policy costings in peak periods, including:
 - a. entering into secondment arrangements, including reciprocal arrangements, with Government Departments and Agencies, and
 - b. exploring other mechanisms, such as using technology to streamline the costing process, and increasing collaboration with Government Departments and Agencies on model development.

Accuracy of costings of policies, including election commitments

4. The PBO should establish a small, independent, expert advisory panel that it could consult on cross-cutting issues associated with policy costings and fiscal analysis. This advisory panel would not be provided with information on confidential costings of parliamentarians and would have no direct role in their preparation and provision.

5. The PBO should ensure that the JCPAA is provided with sufficient data to allow it to regularly monitor the provision of information to the PBO through the Memorandum of Understanding.
6. The PBO should continue to work collaboratively with Government Departments and Agencies on information requests and model development, consistent with maintaining the confidentiality of parliamentarians' policy proposals. The PBO should ensure that it includes sufficient context to enable the provision of the most appropriate information in response.
7. The PBO should periodically conduct an ex-post analysis of a limited selection of its policy costing estimates, to help identify areas for improvement in future costings, and report the results to the JCPAA.

Transparency and public understanding of budget and fiscal policy settings

8. To improve the relevance of its self-initiated work, the PBO should:
 - a. develop deeper and broader consultation with the JCPAA and other parliamentary committees
 - b. align more closely its self-initiated work with, and help build the capacity of, PBO costing work, and
 - c. consider a possible evolution of its self-initiated work program by:
 - i. expanding its existing focus on medium-term fiscal sustainability issues
 - ii. building its capacity to analyse underlying drivers of the budget over the longer term, including, but not limited to, demographic analysis, and
 - iii. ensuring it has the capacity to further develop its longer-term analytic ability to allow consideration to be given to transferring responsibility for the next Intergenerational Report (scheduled for 2020) to the PBO.
9. The PBO should more fully explain the methodology underlying the policy costing process, including in a non-technical fashion.
10. The PBO should publish regular data on the number of policy announcements made with reference to PBO costings, and whether or not, and when, the underlying PBO costing response document was released by the party or parliamentarian concerned.

11. The Post-election Report of election commitments should include the financial impact over the medium term (in addition to the forward estimates period) of:
 - i. the top ten policy proposals by dollar value
 - ii. any proposal with an impact of over \$1 billion in a year
 - iii. proposals with a materially different impact beyond the forward estimates, and
 - iv. the overall election platform for each political party.
12. The timing of the publication of the Post-election Report of election commitments should be delayed to the later of the first sitting day of Parliament following a general election or 30 days after the return of the writs from a general election.
13. The PBO should provide parliamentary political parties with fewer than five Members or Senators the option to have the financial impact of their election commitments included in the PBO's Post-election Report of election commitments.
14. The PBO should consider the value of continuing to publish the chart pack following each fiscal update.

Governance and resources

15. The PBO should ensure that the JCPAA is regularly provided with sufficient information on the PBO's workload, resource requirements and efficiency, to enable the JCPAA to monitor their impact on the level and timeliness of the PBO's outputs.
16. The PBO should conduct a survey once in each term of Parliament to get feedback on its performance from its stakeholders.

Contents

Terms of Reference	i
Executive Summary	ii
List of recommendations.....	viii
1. Introduction: establishment, governance and development of the PBO	1
PBO governance arrangements.....	3
Previous inquiries into the PBO.....	4
The PBO today.....	7
2. Conduct of this review.....	9
Consultations	9
International experience	10
3. Level playing field for costings.....	13
Reliability ratings of costings	14
Setting priorities for costings	18
Timeliness of PBO costing responses.....	19
4. Accuracy of costings of policies, including election commitments.....	23
Independent expert advisory panel on technical issues	24
Access to data and models from Government Departments and Agencies.....	25
Collaborative relationship with Government Departments and Agencies	28
Inclusion of economy-wide (second-round) effects in costings.....	29
Ex-post analysis of costings.....	30
PBO staff development and training.....	32
5. Transparency and public understanding of budget and fiscal policy settings .	33
Wider consultation on self-initiated research work plan.....	34
Evolution of the PBO's activities.....	35
Increasing public understanding of the costing process.....	38
Public release of confidential PBO costing response documents	39
Increasing the value of the Post-election Report.....	41
Budget chart packs.....	44
6. Resources and governance	45
PBO funding to date.....	45
Projected PBO funding.....	45
Stakeholder survey	47

References.....	49
Appendix A – International comparison and the Australian PBO	55
Appendix B – Previous inquiries into the Parliamentary Budget Office	75
Appendix C – PBO governance arrangements: legislative framework and administrative agreements.....	87
Appendix D – PBO resources	93
Appendix E – PBO costing and budget analysis requests.....	95
Appendix F – Self -initiated research reports	99
Appendix G – List of consultations	105
Appendix H – Information requests to Government Departments and Agencies .	107
Appendix I – Proposed amendment to legislation	111

1. Introduction: establishment, governance and development of the PBO

There are 41 Independent Fiscal Institutions (IFIs) worldwide,¹ virtually all in developed economies. The oldest, the High Council of Finance, was established in Belgium in 1936; one of the newest is the South African Parliamentary Budget Office which was established in 2014. Australia's Parliamentary Budget Office (PBO), established in 2012, is one of the more recent IFIs.

No two IFIs are the same.² They vary widely as to role, governance provisions, functions, staff and budget—a reflection (among other things) of the difference in the political and institutional systems in which they were established.³ Many have evolved over time, and some of those changes have been marked.⁴

The idea of an Australia PBO had been subject to debate at various times since the 1980s, initially with reference to the United States' Congressional Budget Office (CBO) and more recently influenced and encouraged by the growing number of international IFIs.⁵ In May 2009, the then leader of the Coalition, in his Budget-in-Reply speech, said that 'honesty in fiscal policy would be served by the creation of an Australian version of America's Congressional Budget Office'.⁶

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 three independent Members of Parliament,⁷ and was subsequently included in the 2010 *Agreement for a Better Parliament* negotiated between the political parties and independent members of parliament.⁸

¹ Based on definitions and data in International Monetary Fund (2015) and Organisation for Economic Co-operation and Development (2016).

² See Appendix A on International comparison and the Australian PBO.

³ Von Trapp, Lienert and Wehner (2016), p 13.

⁴ See, for example, Kopits (eds) (2013) and OECD (2014).

⁵ Joint Select Committee on the Parliamentary Budget Office (2011), pp 1-2.

⁶ Australia, House of Representatives (2009), p 3975.

⁷ Joint Select Committee on the Parliamentary Budget Office (2011), p 2.

⁸ Joint Select Committee on the Parliamentary Budget Office (2011), p vii.

A key rationale for the formation of the PBO was to make the Commonwealth political playing field more level by reducing the inherent advantage of incumbency in policy costing and development.⁹

Prior to the establishment of the PBO, the Opposition's access to the Departments of the Treasury and Finance for independent policy costings was limited to the *Charter of Budget Honesty* arrangements during the caretaker period.¹⁰ These arrangements did not allow for iteration in policy costing and development, as they only applied to publicly announced policies, and the resulting costing estimates were published immediately on finalisation. Policies announced and then lodged for costing ran the risk of being materially inaccurate and some were found to be so.¹¹ Perhaps as a result, many Opposition policies were only lodged for Charter costing late in the election campaign, if at all. This reduced the opportunity for informed public debate on the policies.¹²

The minor parties and independent members had little or no access to Treasury and Finance for costings prior to the establishment of the PBO. Minority parties (non-government parties of at least five members, not including the Opposition party) have only been able to submit costings under the *Charter of Budget Honesty* since 2013. Outside of the caretaker period, non-government parties could only obtain costings with the consent of the Government.

More broadly, the Parliament's objective in establishing the PBO was to 'provide a source of high-quality, independent analysis on Budget and related matters and thereby improve the quality of parliamentary debate and enhance decision making'.¹³

The *Agreement for a Better Parliament* also stated that the 'structure, resourcing and protocols' for the proposed PBO would be reviewed by a special committee of the Parliament 'which is truly representative of the Parliament'.¹⁴

⁹ Joint Select Committee on the Parliamentary Budget Office (2011), pp 34 and 46.

¹⁰ Joint Select Committee on the Parliamentary Budget Office (2011), pp 16 and 33.

¹¹ See Bowen (2015).

¹² Joint Select Committee on the Parliamentary Budget Office (2011), p 35.

¹³ Joint Select Committee on the Parliamentary Budget Office (2011), p 19.

¹⁴ Joint Select Committee on the Parliamentary Budget Office (2011), p vii. More information on the Joint Select Committee on the Parliamentary Budget Office, and subsequent parliamentary inquiries into the PBO, is provided in Appendix B.

The structure, resourcing and protocols included in the PBO's legislation, the *Parliamentary Service Act 1999*, reflected the recommendations of the Joint Select Committee on the Parliamentary Budget Office. The PBO was established with the benefit of broad support from the Parliament, and consultations suggest that it retains that strong support today.

PBO governance arrangements

The PBO's mandate, independence, accountability and oversight arrangements are set out in the *Parliamentary Service Act 1999*. The PBO's access to information from Government Departments and Agencies is governed by a Memorandum of Understanding (MOU) with the heads of Commonwealth Departments and Agencies.¹⁵

PBO mandate

The *Parliamentary Service Act 1999* states that the PBO's purpose is to 'inform the Parliament by providing ... independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals'.¹⁶ More specifically, it states that the PBO's mandate includes:

- preparation of policy costings for parliamentarians outside the caretaker period for a general election
- preparation of policy costings for authorised members of parliamentary parties or independent members during the caretaker period for a general election
- provisions of analysis relating to the budget from parliamentarians
- when requested, submissions to inquiries of parliamentary committees
- self-initiated research and analysis of the budget and fiscal policy settings, and
- a post-election report on election commitments of designated parliamentary parties.¹⁷

Provisions on confidentiality depend on the nature and timing of the request: costings received outside the caretaker period for a general election may be treated as confidential; costings received during the caretaker period are limited to publicly announced policies and the PBO's responses must be made public.

¹⁵ Further details of the PBO's legislative framework and the MOU with Departments and Agencies are at Appendix C.

¹⁶ *Parliamentary Service Act 1999*, s. 64B.

¹⁷ *Parliamentary Service Act 1999*, s. 64E.

Requests for analysis relating to the budget may be made and treated as confidential at any time. Requests from and submissions to inquiries of parliamentary committees are required to be made public.¹⁸

The preparation of economic forecasts and budget estimates is explicitly excluded from the PBO's functions. The PBO is required to use the economic forecasts and parameters and fiscal estimates contained in the most recent economic and fiscal outlook as the baseline for costings. The PBO is also required to prepare its policy costings using the approaches and costing conventions recommended in the *Charter of Budget Honesty – Policy Costing Guidelines*, issued by the Secretaries of the Departments of the Treasury and Finance.¹⁹

PBO independence, oversight and accountability

The PBO has a high level of statutory independence. The Parliamentary Budget Officer is appointed by the Presiding Officers of Parliament, with the approval of the Joint Committee of Public Accounts and Audit (JCPAA), for a term of four years, with the total length of office not exceeding eight years.²⁰ The Parliamentary Budget Officer is not subject to direction in the performance of his/her functions, and can only be removed from office due to misbehaviour, physical or mental incapacity, or insolvency.²¹

The JCPAA is responsible for overseeing the operations and resourcing of the PBO.²² As part of that oversight, the JCPAA can request the Parliamentary Budget Officer to establish an independent review of the operations of the PBO after a general election, with the review to be completed within nine months after the end of the caretaker period for the election.²³

Previous inquiries into the PBO

Some of the issues set out in the terms of reference for this inquiry, and covered in this report, have been considered in previous inquiries into the PBO.²⁴

¹⁸ *Parliamentary Service Act 1999*, s. 64U.

¹⁹ The PBO can only follow different principles in preparing policy costings with the agreement of the Secretaries of the Departments of the Treasury and Finance.

²⁰ *Parliamentary Service Act 1999*, s. 64X.

²¹ *Parliamentary Service Act 1999*, ss. 64N and 64XE.

²² *Parliamentary Service Act 1999*, s. 64S.

²³ *Parliamentary Service Act 1999*, s. 64T.

²⁴ Further details of previous inquiries into the PBO are provided at Appendix B.

The Joint Select Committee on the Parliamentary Budget Office's *Inquiry into the proposed Parliamentary Budget Office* in 2011 considered the role of the (then) proposed PBO, arrangements for access to information from Government Departments and Agencies, accountability and oversight, and resourcing and physical location of the PBO.²⁵ The PBO's legislation reflected the recommendations of the Joint Select Committee on the Parliamentary Budget Office.

In November 2013, the Australian National Audit Office (ANAO) formally commenced a performance audit into the administration of the PBO. The objective of the audit was to assess the effectiveness of the PBO from its establishment in July 2012 to the publication of the 2013 Post-election Report on election commitments.²⁶ The Chair of the JCPAA advised the PBO that, in the light of this performance audit and the deliberations of the Commission of Audit, the JCPAA would not request an additional independent review into the PBO's operations.²⁷

In addition to reviewing PBO documentation and a sample of costings, the ANAO held interviews with a wide range of stakeholders, including the PBO, Commonwealth Departments and Agencies that provide information to the PBO, representatives of parliamentary parties and independent Members of Parliament and a selection of other stakeholders that were familiar with the work of the PBO.²⁸

The ANAO found that

since commencing operation in July 2012, the PBO has effectively undertaken its statutory role and is already well regarded as an authoritative, trusted and independent source of budgetary and fiscal policy analysis.²⁹

²⁵ Joint Select Committee on the Parliamentary Budget Office (2011).

²⁶ Australian National Audit Office (2014), p 16.

²⁷ Parliamentary Budget Office (2014a), p 6.

²⁸ Australian National Audit Office (2014), p 45.

²⁹ Australian National Audit Office (2014), p 18.

The ANAO noted that overall the PBO had received good co-operation from the Departments of the Treasury and Finance and other Commonwealth Departments and Agencies.³⁰ Nevertheless, the ANAO highlighted that the PBO's lack of statutory information access powers was inconsistent with the Organisation for Economic Co-operation and Development's (OECD's) principles for IFIs and presented an inherent risk that access to information could be constrained in the future.³¹

In 2014 the JCPAA conducted a *Review of the Operations of the Parliamentary Budget Office*, which inquired into the framework and operations of the PBO. Among other things, this included consideration of the findings and recommendations of the ANAO report.³² The JCPAA concluded that, in a short period of time, the PBO had developed into a well-regarded, credible, independent, non-partisan source of expertise on the budget cycle, fiscal policy and policy costings.

The report had eight recommendations, covering access to information and expanding the Parliamentary Budget Officer's mandate to allow more medium-term budget analysis.³³ The Government generally supported the position that the Parliamentary Budget Officer is entitled to appropriate and timely access to information, and considered that other concerns raised in the report could be resolved under the existing MOU. However, the Government did not accept the JCPAA's recommendation that the PBO be provided with the details of the Contingency Reserve, citing the sensitivity of some information and the potential harm to the Commonwealth's interests, as well as to national security, to exempt this information from release or disclosure.

³⁰ Australian National Audit Office (2014), p 27.

³¹ Australian National Audit Office (2014), p 79.

³² Joint Committee of Public Accounts and Audit (2014a). The report of the inquiry was tabled on 1 December 2014.

³³ Joint Committee of Public Accounts and Audit (2014a), pp xiii –xiv.

The PBO today

The PBO currently employs on average 40 full-time staff on an ongoing basis. This temporarily increased to around 50 staff in the lead up to the 2016 general election.

At least two-thirds of PBO analytical staff are usually involved in the preparation of costings and budget analyses.³⁴ The remaining analytical staff are allocated to the published research program and related activities.³⁵ A small number of additional staff provide corporate support services to the organisation.

The PBO has an annual budget of approximately \$7 million and additional funding of approximately \$0.5 million in election years. In addition, the PBO was provided with a one-off special appropriation of \$6 million on its establishment.³⁶ This has been drawn upon since 2013-14.

The PBO has provided over 7,000 costings and budget analyses to parliamentarians and parliamentary parties since it began operations in 2012.³⁷ The number of costing requests received has grown rapidly, reflecting both an increase in the number of parliamentarians who request costings and budget analyses, and an increase in the number of requests submitted by each parliamentarian or party.³⁸

During this time, the PBO has also released 28 pieces of self-initiated research – ranging in length from just a few pages showing the impact of unlegislated measures on the budget estimates, to approximately 60 pages of detailed analysis of particular areas of the budget – and two Post-election Reports.³⁹

³⁴ Information provided by the PBO.

³⁵ Parliamentary Budget Office (2016b).

³⁶ See Appendix D for more detail on PBO resourcing.

³⁷ The PBO presents data on the number of 'options' included in the requests it receives; noting that a single request can contain multiple options.

³⁸ See Appendix E for more detail on PBO costing requests.

³⁹ See Appendix F for a list of the PBO self-initiated reports.

The PBO's work demands generally peak in the lead up to general elections with costing requests, and after the election, with the release of the Post-election Report. This peak in demand has also grown over time, with demand for costings and budget analyses in the year leading up to the 2016 election more than triple that in the previous election year.⁴⁰ As demand changes, staff are reallocated accordingly.

In non-election periods, more PBO resources are allocated to the self-initiated research program, and the development and maintenance of the PBO's financial models and data bases.

⁴⁰ Parliamentary Budget Office (2016b).

2. Conduct of this review

On 14 November 2016 the JCPAA announced the formation of this independent review into the PBO, in accordance with s. 64T of the *Parliamentary Service Act 1999*.

The independent review panel comprised Dr Ian Watt AC, former Secretary of the Departments of the Prime Minister and Cabinet, Defence, Finance and Communications, Information Technology and the Arts; and Mr Barry Anderson, former Deputy Director, United States Congressional Budget Office, former senior career official at the White House's Office of Management and Budget, and former head of Budgeting and Public Expenditures Division at the OECD. Dr Watt was the Chair of the review.

The terms of reference of the review required the independent review panel to examine, report and make recommendations on the scope for the PBO to build on the foundations it has established, with a view to strengthening the PBO's ability to:

- provide a more level playing field for all parliamentarians for policy costings
- improve the accuracy of costings of election commitments, and
- enhance transparency and public understanding of budget information and fiscal policy settings.⁴¹

Consultations

The terms of reference required the review panel to have regard to the PBO's primary stakeholders, including parliamentarians, parliamentary parties, parliamentary committees, other Commonwealth agencies and external think tanks. The review panel held over 30 discussions with stakeholders over the period December 2016 to February 2017.⁴²

Consultations with stakeholders showed that the PBO is widely regarded as an independent, non-partisan institution, with a reputation for professional and rigorous analysis. Stakeholders had more varied views on how the PBO should evolve in the future.

⁴¹ The Terms of Reference are provided at p i in this report.

⁴² Appendix G contains a list of consulted stakeholders.

For a relatively small organisation with a limited output, there was quite a significant diversity of views on the elements of the PBO's work that was of most interest and importance. Parliamentarians (and Government Departments and Agencies) placed a very heavy emphasis on the PBO's policy costing role, in particular the importance of maintaining confidentiality and striving for timely responses.

Others placed more importance on the PBO's self-initiated research reports, particularly those considering issues of medium-term fiscal sustainability and explaining complex budget accounting issues. This highlights the divergent interests as well as challenges those outside the system face in understanding parts of the budget papers.

International experience

The terms of reference required the review panel to have regard to the experience of comparable international institutions.⁴³

Consistency with OECD principles

The OECD notes that IFIs are a heterogeneous group, reflecting both the diverse political and institutional circumstances prevailing at their establishment and the different rationale for their adoption across countries.⁴⁴ Unsurprisingly, IFIs vary considerably in their role, governance provisions, breadth of mandate and functions, leadership and staff, and budget.

Notwithstanding this diversity, the OECD has developed guidance on issues to consider in the design and governance of IFIs, based on lessons learned and good practices developed from IFI experience to date.⁴⁵ In particular, the OECD principles emphasize the importance of an IFI being non-partisan and independent, transparent and accountable, and with a role that reflects the local institutional environment. The principles are designed to 'assist countries to design an enabling environment conducive to the good performance of an IFI and ensuring its long-run viability'.⁴⁶

⁴³ Further information contrasting the Australian PBO with comparable institutions internationally is provided at Appendix A.

⁴⁴ Von Trapp, Lienert and Wehner (2016), p 13.

⁴⁵ OECD (2014). See Table A1 in Appendix A for a list of the OECD principles.

⁴⁶ OECD (2014), Introduction.

The design and governance of the Australian PBO is generally consistent with the OECD principles for IFIs. The most notable exceptions are OECD principles 15 and 16 which recommend, respectively, that IFIs have a legislative guarantee of timely access to all relevant information and that any restrictions on access to government information should be clearly defined in legislation.⁴⁷

Comparison of PBO's mandate

The PBO is notable for having a much heavier focus than all other IFIs on the costings of policies, with around two-thirds of PBO analytical staff involved in policy costing.⁴⁸ The PBO is also one of only two IFIs in the OECD that cost the election platforms of political parties.⁴⁹ This reflects the importance placed on providing a relatively level playing field for policy costings in Australia.

In contrast, the more institutionally comparable IFIs to the Australian PBO produce more material on fiscal sustainability, including regular fiscal sustainability reports (produced by the United Kingdom Office for Budget Responsibility (OBR)) and annual long-term (30-year) projections (produced by the United States CBO). While the Australian PBO has published some self-initiated research reports on fiscal sustainability, it devotes a substantially lower proportion of its resources to these analyses than most other IFIs.⁵⁰

Unlike most IFIs, which have a role in either preparing or assessing macroeconomic and/or fiscal projections, the PBO's legislation explicitly prevents it from producing independent economic or fiscal forecasts.

Lessons from international experience: key risks

International experience suggests that the most vulnerable stage in the life of an IFI is in the early stages, before it has had the opportunity to build a reputation for objective, independent analysis. The status and role of successful and well-established IFIs, such as the United States CBO and the Netherlands Central Planning Bureau (CPB), evolved over time, based on reputations built up as their

⁴⁷ See Appendix A on international comparisons for more details on the PBO's adherence to the OECD principles.

⁴⁸ Information provided by the PBO.

⁴⁹ The Central Planning Bureau in the Netherlands produces consolidated pre-election policy platform costings for all parties (on a voluntary basis).

⁵⁰ Appendix F provides a list of the PBO's published self-initiated reports.

analyses and practices matured over time and were subject to the intense scrutiny of parliamentary and public debate.

Experience to date suggests that the biggest risk to an IFI is it being perceived – rightly or wrongly – as partisan. This perception can sometimes arise when the institution is seen as primarily working for one side of politics.⁵¹ This could occur under a long-standing government when the IFI is seen as primarily working for the opposition parties. Similarly, the perception of partisanship is higher where the analysis produced by an IFI is in direct conflict with that produced by the Government and/or the political party in government.

These risks highlight the importance of presenting analysis in an objective and professional manner. It underscores the need for the PBO to strike the right balance between providing objective information that is relevant to, and informs, public policy debate without being seen to take a position on contested policy issues.

To date, only one IFI has been abolished outright by an incoming Government.⁵² However there are a number of other ways that the effectiveness of an IFI could be reduced, including constraining its access to information from government agencies,⁵³ appointing a partisan figure as head,⁵⁴ significantly reducing its resources,⁵⁵ and/or the expanding its mandate without adequately increasing resources.⁵⁶

The success of an IFI can, however, bring its own risks, with demand for services increasing, and the risk of internally-generated and externally-imposed mission creep expanding the mandate beyond the limit of its resources and/or expertise. This is also likely to be deleterious to the PBO's long-term future. The organisation and its overall conduct needs to be carefully managed in order to avoid such a situation.

⁵¹ See, for example, Kopits (2013a), p 9.

⁵² In Venezuela, the Congressional Budget Office was abolished by President Chávez (see Kopits (2011)).

⁵³ The Parliamentary Budget Office in Canada, despite having stronger legal access to information than Australia, has struggled to obtain information from government agencies.

⁵⁴ In Hungary, two of the three members of the Fiscal Council are closely aligned with the Government.

⁵⁵ In 2010, the Fiscal Council in Hungary lost all funding, its remit was significantly reduced and its analytical staff fired (see Kopits (2011)).

⁵⁶ See the section on key risks in Appendix A.

3. Level playing field for costings

A key rationale for the formation of the PBO was to develop a more level playing field by reducing the inherent advantage of incumbency in relation to policy development, and particularly access to policy costings.⁵⁷

Previous inquiries into the PBO have concluded that it has made a valuable contribution to levelling the playing field for all parliamentarians.⁵⁸ Stakeholders consulted in the course of this review endorsed this conclusion. In particular, parliamentarians noted that the ability to have their policy proposals confidentially costed by the PBO has significantly enhanced their policy development process and the credibility of their policy announcements.

That said, some stakeholders consulted also recognised that the playing field is unlikely to ever be fully level. Similar views were expressed in the 2014 ANAO performance audit:

While stakeholders generally acknowledged that the PBO had gone a long way to levelling the playing field, some noted that, “as the government of the day has access to the public service, a totally level playing field may never be possible and that there is an inherent privilege of being in government”.⁵⁹

While demand for PBO policy costings is cyclical and naturally peaks in the lead up to a general election, the level of underlying demand has grown very significantly over time. For example, requests received by the PBO in the lead up to elections have more than tripled, from 1,297 in 2013-14 to 4,146 in 2015-16.⁶⁰ This growth reflects the use of PBO policy costings by parliamentarians across the political spectrum in both the iterative development of policy proposals and to inform parliamentary and public debate. It emphasises the importance that parliamentarians place on having credibly costed policies.

⁵⁷ Joint Select Committee on the Parliamentary Budget Office (2011), pp 34 and 46.

⁵⁸ See, for example, Australian National Audit Office (2014), p 18.

⁵⁹ Australian National Audit Office (2014), p 88.

⁶⁰ Parliamentary Budget Office (2016b). See Appendix E for more details on PBO costings.

Since its establishment, the PBO has been through two election cycles, and provided a high volume of policy costings to both the Coalition and the Australian Labor Party when they were in Opposition and the Australian Greens on both occasions.⁶¹ This has helped and encouraged parties to release consolidated policy platforms prior to the election.

The review panel examined several issues where the PBO could enhance its capacity to help level the playing field for policy costings further:

- reliability ratings of costings
- setting priorities for costings, and
- timeliness of PBO policy costings.

Reliability ratings of costings

There is an inherent level of uncertainty in most costing estimates, no matter who prepares them. This arises from data limitations and the number and nature of assumptions required.⁶² The existence of uncertainty in forecasts has long been acknowledged by the International Monetary Fund (IMF) and the OECD, and many of the factors that create uncertainty in forecasts also apply to costings.⁶³ This inherent uncertainty also affects the PBO's costings, even though the PBO has very similar access to information and follows the same rules and conventions – the *Charter of Budget Honesty Policy Costing Guidelines* – for preparing its estimates as the Government.⁶⁴ However, the overall degree of uncertainty around PBO costings is not likely to be significantly different from the Government's.

The PBO reflects this uncertainty by including, in each of its costing response documents, a one-word reliability rating and a list of the particular factors affecting the reliability of the costing. The reliability rating is intended to provide a shorthand indication of the level of confidence a user of the costing can have that the actual outcome of a costing would correspond to the costing estimate.⁶⁵

⁶¹ Australian National Audit Office (2014), p 87.

⁶² Parliamentary Budget Office (2015a), p 1.

⁶³ See, for example, Debrun et al (2013) and Crippen (2003).

⁶⁴ Secretaries to the Treasury and the Department of Finance (2016).

⁶⁵ Parliamentary Budget Office (2015a), p 1.

There are six reliability ratings, ranging from very-low to high. A rating is determined by the PBO using a qualitative assessment process, taking into account the most important factors that affect the reliability of that costing. The rating is not a reflection on the policy proposal being analysed or the quality of the PBO's analysis, but rather reflects the generic difficulty of such a costing, the quality of the underlying data, the assumptions underlying the particular costing, and the stability of the costing baseline.⁶⁶

The PBO has explained the basis of its reliability ratings in several ways, including publishing a technical note outlining the factors influencing the reliability of costings of policy proposals,⁶⁷ providing evidence to a parliamentary committee,⁶⁸ and issuing a media release reiterating the PBO's rationale for, and approach to, the assignment of reliability ratings to its policy costings.⁶⁹

Despite this, the reliability ratings continue to be widely misinterpreted as a reflection of the quality of the PBO's estimates rather than the uncertainty inherent in the policy costing process. In turn, this has resulted in instances of PBO reliability ratings being inappropriately used as a comment on the credibility of the costing analysis and/or the underlying policy proposal.⁷⁰

There is limited public use of reliability ratings elsewhere in relation to costings. For example, the measures descriptions in the Budget papers that provide the estimated financial impact of individual policy decisions by the Government do not include a reliability rating or a description of the uncertainty surrounding the costing of measures.⁷¹ Discussion of uncertainty in the Budget papers is instead focused at the aggregate level – total revenue, expenses and the budget bottom line – with a presentation of confidence intervals and the sensitivity of the budget to uncertain economic parameters.⁷²

⁶⁶ Parliamentary Budget Office (2015a), p 1.

⁶⁷ Parliamentary Budget Office (2015a).

⁶⁸ Parliamentary Budget Office (2015c).

⁶⁹ Parliamentary Budget Office (2016d).

⁷⁰ See, for example, Karp (2016) on Labor's proposed negative gearing and capital gains tax changes.

⁷¹ See, for example, descriptions of budget measures in Australian Government (2016c).

⁷² See, for example, Australian Government (2016b), Statement 7: Forecasting Performance and Scenario Analysis.

Including a reliability rating in costings is uncommon amongst IFIs. The most notable institution to include ratings is the UK's OBR. In its scrutiny of the Government's costings at each budget update, the OBR gives each costing a subjective uncertainty rating based on the data underpinning it, the complexity of the modelling involved and the possible behavioural impact of the policy.⁷³ The OBR's practice was built on the Australian PBO's reliability ratings approach.⁷⁴ The OBR, however, only reviews costings of Government policies.

Other institutions have adopted different approaches to illustrate uncertainty in their estimates. The Irish Fiscal Advisory Council, for example, introduced fan charts to represent uncertainty surrounding the potential impacts of macroeconomic/budgetary developments and changes in the fiscal policy stance.⁷⁵

The Treasury's annual *Tax Expenditures Statement* does include a reliability rating for the estimates of individual tax expenditures.⁷⁶ Treasury notes that its tax expenditures estimates vary in reliability due to the 'quality, detail and frequency of the underlying data' and the number of assumptions required in the estimates.⁷⁷ Treasury also notes that 'revenue gain estimates should be treated with extreme caution' due to, among other things, uncertainty around behavioural responses to the removal of a tax expenditure.⁷⁸

Stakeholder consultation suggested that the inclusion of reliability ratings in PBO costings, particularly when they are not included in Budget measure descriptions that are subject to the same or similar levels of uncertainty, have resulted in PBO costings being seen, individually and perhaps overall, as inferior. This has the potential to limit parliamentarians' use of the PBO and has acted as a disincentive for them to release the detailed PBO costing response documents that would allow a potentially greater level of public scrutiny of their proposals. The result is a less informed public debate.

⁷³ Office for Budget Responsibility (2016).

⁷⁴ Office for Budget Responsibility (2014), p 211.

⁷⁵ Von Trapp, Lienert and Wehner (2016), p 132.

⁷⁶ See, for example, The Treasury (2016).

⁷⁷ The Treasury (2016), p 127.

⁷⁸ The Treasury (2016), p 117.

A better way of reflecting uncertainty in policy costings

Best practice in budget transparency would suggest more, rather than less, information should be provided to parliamentarians and the public (subject to confidentiality provisions) on the uncertainty surrounding policy costings, and budget estimates more broadly. The particular concerns around reliability ratings raise the question of whether there is a better way of reflecting this uncertainty in the PBO's costing response documents.

In the first instance, the PBO could replace the simplistic reliability rating scale with a qualitative statement explaining the factors that can affect the uncertainty of the particular type of policy costing that was undertaken. In addition, where elements of an individual costing are subject to particularly uncertain elements, a more detailed statement could be included in the PBO costing response document to explain these uncertain elements.⁷⁹

This approach would provide more information to parliamentarians on the nature and extent of the uncertainty surrounding costing estimates and this information would be less likely to be open to misinterpretation as a reflection of the quality of the analysis underpinning the costing. It would also remove one of the perceived disincentives for parliamentarians to release detailed PBO costing response documents.

Recommendation 1

The PBO should replace the reliability rating in its costing response documents with a statement on the factors that can affect the uncertainty of that type of policy costing. The PBO's costing response documents should expand existing qualitative comments on reliability to highlight particularly uncertain elements of the specific policy when that is appropriate.

⁷⁹ This would be consistent with the approach of the NSW Parliamentary Budget Office.

Setting priorities for costings

The demand for PBO costings has grown rapidly over the last four years. For example, the demand for costings and budget analyses in the year leading up to the 2016 election was more than triple that in the previous election year.⁸⁰ And the demand for costings and budget analyses is expected to continue to grow in the future. As this occurs, the PBO's approach to setting priorities for costing work will become increasingly important.

The PBO does not have a formal policy to determine priorities in relation to costing requests, although it does have various informal ones. Where a party or parliamentarian has submitted multiple requests, the PBO's current practice is to seek advice from the party or parliamentarian as to the relative priority of those requests.⁸¹ Feedback from stakeholders suggests that this informal approach has generally worked well. However, stakeholders have also noted that the approach can be ad hoc at times and would benefit from more structure and certainty in its application.

The PBO faces a greater challenge in setting priorities for costings between different political parties and parliamentarians. In principle, the PBO aims to achieve an equitable level of access to policy costings for parliamentarians, taking into account the level of representation of the requesting political party in the parliament. While in nearly all cases the PBO has still been able to respond to requests from parliamentarians, some responses have taken significantly longer than others. Some stakeholders also noted that at times the PBO did not communicate the reasons why some requests were afforded a lower priority.

Without a clearer articulation of the principles and processes applied in setting priorities between costing requests, there is a risk that the PBO could be seen as not providing a level playing field for all parliamentarians, potentially placing its non-partisan reputation at risk.

The PBO should develop and publish principles and processes used to set priorities. This would provide greater clarity about the PBO's engagement with its stakeholders. This would especially assist in reducing the risk of the PBO being perceived as partisan in the setting of its priorities.

⁸⁰ Parliamentary Budget Office (2016b). See Appendix E for more details on PBO costings.

⁸¹ Parliamentary Budget Office (2014b).

In developing priorities for responding to costing requests, among other things, the PBO should have regard to the relevance of the request to matters expected to be before the Parliament, the level of representation of the requesting political party in Parliament, and the level of resources required to complete the request.

To achieve their objectives, these processes and priorities need to be regarded by parliamentarians as reasonable and equitable. They also need to result in more effective use of the PBO's resources in support of the work of the Parliament. To help ensure these objectives are met, there would be value in the PBO consulting with political parties and independent parliamentarians on the options for setting priorities of policy costings. For the same reasons, there would be value in the PBO making this policy public.

Recommendation 2

The PBO should further develop and publish principles and processes to help set priorities in relation to requests from parliamentarians for costings and budget analysis, having regard to:

- i. the relevance of the request to matters expected to be before the Parliament**
- ii. the level of representation of the requesting political party in Parliament**
- iii. the level of priority given to the request by the parliamentarian's political party and/or the parliamentarian, and**
- iv. the level of resources required to complete the request.**

Timeliness of PBO costing responses

The most common criticism of the PBO's work by parliamentarians is the time taken to respond to costing requests, particularly in peak periods such as the lead up to a general election. Respondents to a 2015 stakeholder survey stated that they were satisfied with the PBO's work but would 'like to see an improvement in the timeliness of the PBO's responses'.⁸² Interest in timeliness is likely to grow as the demand for costings continues to increase.

Timeliness is a factor in the usefulness of information to the work of the Parliament. In consultation, some parliamentarians noted that they would make

⁸² Parliamentary Budget Office (2015b), p 4.

more use of the PBO's services if responses to costing requests were able to be provided in a timelier manner. Others, relatively new to the Parliament, indicated a general desire to make greater use of the PBO.

The 2011 Joint Select Committee on the Parliamentary Budget Office recognised that PBO resource constraints were likely to be a key restriction on effectively helping to level the playing field for policy costings. It noted that

[w]hile 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.⁸³

The joint submission of the Departments of the Treasury and of Finance and Deregulation to the Joint Select Committee on the Parliamentary Budget Office stated that the preparation of costings during the 2010 election period 'involved the work of approximately 300 staff who currently work in costing-related areas' and that 'to be able to respond to these costing requests in a timely manner, the PBO would require similar staffing levels'.⁸⁴ The PBO, with a peak of around 50 staff during the 2016 election campaign, did not have anything close to this level of resources.⁸⁵

The 2014 ANAO performance audit into the PBO found that while stakeholders generally acknowledged that the establishment of the PBO had gone a long way to levelling the playing field, some noted that,

as the government of the day has access to the public service, a totally level playing field may never be possible and that there is an inherent privilege of being in government.⁸⁶

⁸³ Joint Select Committee on the Parliamentary Budget Office (2011), p 22.

⁸⁴ The Treasury and the Department of Finance and Deregulation (2011), p 10.

⁸⁵ See Appendix D on PBO resources.

⁸⁶ Australian National Audit Office (2014), p 88.

While the time taken by the PBO to respond to individual costing requests is determined by a number of factors – including the complexity of the costing, the availability of information, and the PBO's workload at the time – the PBO's overall timeliness is primarily a function of the level and use of its resources.⁸⁷

Undertaking policy costings is recognised, by international bodies familiar with the issues, to be a labour-intensive task.⁸⁸ This is especially true for costings of policy proposals for the first time, where there is a lack of existing models and capability. For all costings, the PBO's practice is to make its best estimate of the timeframe for responding to a request at the outset and provide timely updates to the requestor if this timeframe is likely to be extended.⁸⁹

The PBO has sought to improve timeliness by proactively seeking data and models from Government Departments and Agencies in anticipation of requests (avoiding the need for duplication of effort), and working with them to reduce the time taken to obtain information needed for costing responses.⁹⁰

The key challenge for the PBO's timeliness remains responding to the surge in demand in peak periods such as the lead up to a general election. In 2016 this was met by additional permanent recruitment in the run up to the election. This will be matched by a subsequent rundown in staffing.

Secondment arrangements with Government Departments and Agencies, such as the Productivity Commission, the Treasury, the Department of Finance, the Australian Taxation Office and the costing areas in other Departments and Agencies, may help provide an additional, short-term and cost-effective source of staff with policy and costing backgrounds to boost the PBO's costing capabilities when the need is greatest. However, the numbers are not expected to be large.

⁸⁷ Parliamentary Budget Office (2014b).

⁸⁸ Debrun et al (2013), p 35.

⁸⁹ Parliamentary Budget Office (2014b).

⁹⁰ Parliamentary Budget Office (2016a), p 15.

Reciprocal secondment arrangements would be more likely to be attractive to Government Departments and Agencies than unilateral arrangements. Both options help improve mutual understanding and staff development. However reciprocal arrangements may not ease the PBO's load during the run up to elections.

More broadly, the PBO should continue to explore mechanisms within its resource constraints, such as increased collaboration with Government Departments and Agencies and the use of technology, to improve the timeliness of its responses to requests for costings, especially in peak periods.

Recommendation 3

The PBO should take action within its resource constraints to improve the quality and timeliness of its responses to parliamentarians' requests for policy costings in peak periods, including:

- a. entering into secondment arrangements, including reciprocal arrangements, with Government Departments and Agencies, and**
- b. exploring other mechanisms, such as using technology to streamline the costing process, and increasing collaboration with Government Departments and Agencies on model development.**

4. Accuracy of costings of policies, including election commitments

A key goal in the establishment of the PBO was to improve the accuracy of political parties' costings across the electoral cycle, including particularly the costings of election commitments ahead of a general election.

Prior to the establishment of the PBO, there were examples where public announcements of election policies by the then Opposition contained reference to costings that included material errors.⁹¹ Subsequent debate focussed on errors in the costings rather than on the underlying policy. Some of the errors were relatively easy to make when undertaken by analysts not familiar with the complexities of budget costings.

Previous inquiries have found that the PBO is 'well regarded as an authoritative, trusted and independent source of budgetary and fiscal policy analysis'.⁹² This reputation for accuracy is apparent from the use of the PBO by all sides of politics. Consultations for this review showed that the PBO's costings continue to be regarded as professional, accurate and rigorous. They also suggested that the PBO's costings are viewed as being of a similar quality to those produced by the Departments of the Treasury and Finance.

The review panel examined several issues raised by stakeholders as areas where there was the potential for the PBO to improve the accuracy of costings of proposals and election commitments:

- independent expert advisory panel on technical issues
- access to data and models from Government Departments and Agencies
- collaborative relationships with Government Departments and Agencies
- inclusion of economy-wide (second-round) effects in policy costings
- ex-post analysis of costings, and
- PBO staff development and training.

⁹¹ Bowen (2015).

⁹² Australian National Audit Office (2013), p 18.

Independent expert advisory panel on technical issues

The quality and credibility of PBO analysis would be enhanced by establishing an independent external advisory panel that the PBO could consult as needed on technical issues in relation to policy costings as well as self-initiated research reports.

Independent, expert feedback and advice on technical issues from outside the organisation and the rest of Government may help provide a wider range of perspectives and ideas.

The CBO in the US, for example, has found it valuable to regularly meet and solicit views from panels of widely recognized experts with a variety of areas of expertise. The CBO benefits from their understanding of cutting-edge research and their reviews of the agency's public work.⁹³ In addition, CBO's analytic reports are reviewed by outside experts before publication, when that is practical, and its cost estimates often draw on consultation with such experts.⁹⁴ The CPB in the Netherlands draws on outside expertise by offering academic experts one-year appointments to participate as advisers to CPB research. The UK's OBR draws on outside expertise through an advisory panel comprised of leading academic and fiscal experts who provide feedback on core publications and in their individual areas of expertise.

An external advisory panel for the PBO could build on the role that referees currently play in reviewing self-initiated reports, potentially providing guidance and advice on analysis at an earlier stage of research. This would help to improve the PBO's analytical output and ensure it is providing the most relevant information to parliamentarians and the Parliament as a whole.

The external advisory panel could also help the PBO consider common issues arising in costings. This would provide a useful independent sounding board, allowing it to make the most of external subject-specific experts. The PBO could consult with the panel on general and particularly difficult analytical issues.

⁹³ The CBO has a Panel of Economic Advisors and a Panel of Health Advisors. See Congressional Budget Office (2016a) and Congressional Budget Office (2016b).

⁹⁴ Congressional Budget Office (2016d).

However, the panel should, under no circumstances, have access to, or input into, any costing. The current strict safeguards would continue to apply to protect the confidentiality of confidential costing requests and responses.

The existing governance structures of the PBO should remain unchanged. It would need to be clear that the role of this panel would be to provide input to the PBO when requested; it would not be able to direct the PBO in any respect.

Membership of the PBO expert advisory panel needs to include a spectrum of views, so as not to impinge upon the PBO's non-partisan reputation.

Recommendation 4

The PBO should establish a small, independent, expert advisory panel that it could consult on cross-cutting issues associated with policy costings and fiscal analysis. This advisory panel would not be provided with information on confidential costings of parliamentarians and would have no direct role in their preparation and provision.

Access to data and models from Government Departments and Agencies

Timely access to data and costing models is essential to the PBO's ability to prepare policy costings consistent with the baseline budget estimates in the timeframe most suitable to parliamentarians. It also ensures that there are no unnecessary differences between PBO and Government costings. Any differences should occur as a result of identifiably different assumptions/modelling decisions, rather than from inadvertent differences in data sources or methodology. Access to Government information has also helped the PBO to operate with fewer resources than were suggested as necessary by the Departments of the Treasury and Finance prior to its establishment.⁹⁵

⁹⁵ The Treasury and the Department of Finance and Deregulation (2011), p 10. See Appendix D on PBO resources.

The PBO's access to information from Government Departments and Agencies is covered by a non-legally binding MOU with Departments and Agencies.⁹⁶ The MOU has a pro-disclosure bias, and sets as a minimum benchmark the information that Departments and Agencies would be required to release under Freedom of Information (FOI) laws.⁹⁷ The MOU also allows for confidential information to be provided to the PBO subject to caveats preventing its release to a third party.

In its 2014 report, the ANAO concluded that the PBO had received good cooperation from Departments and Agencies, but had concerns around timeliness, with over half of responses to requests being received late.⁹⁸

In its submission to the 2014 inquiry of the JCPAA, the PBO stated that the MOU had generally worked well, with the PBO receiving the information it needed, albeit that in many cases responses to information requests were received late.⁹⁹ The JCPAA echoed these concerns on the timeliness of Department and Agency responses and recommended that the Government ensure that Commonwealth Departments and Agencies meet the timelines in response to a request from the PBO as specified in the MOU.¹⁰⁰

Since the ANAO and JCPAA investigations in 2014, there has been a significant improvement in the timeliness of Department and Agency responses, with nearly 95 per cent of information requests in 2015-16 received on time, compared to 68 per cent in 2014-15.¹⁰¹

The PBO receives the information it requires for policy costings in nearly all circumstances. The principal exceptions have been the detailed Contingency Reserve information from the Department of Finance and access to the Department of the Treasury's revenue forecasting models.¹⁰²

⁹⁶ Parliamentary Budget Officer (2012). See Appendix C for more details on the MOU.

⁹⁷ *Freedom of Information Act 1982*.

⁹⁸ Australian National Audit Office (2014), p 27.

⁹⁹ Parliamentary Budget Office (2014a), pp 3-4 and p 11.

¹⁰⁰ Joint Committee of Public Accounts and Audit (2014a), p 22.

¹⁰¹ See Appendix H for data on PBO information requests.

¹⁰² Parliamentary Budget Office (2014c).

After its 2014 inquiry, the JCPAA recommended that the PBO be provided with details of the individual components of the Contingency Reserve.¹⁰³ The Government did not accept this recommendation, citing the sensitivity of some information and the potential harm to the Commonwealth's interests, as well as to national security, to exempt this information from release or disclosure.¹⁰⁴

The PBO has previously advised the JCPAA that the Treasury has declined to provide its revenue forecasting models to the PBO, instead providing the PBO with information on the methodology used to forecast revenue.¹⁰⁵ Without access to Treasury's revenue forecasting models there is a risk that the PBO's costings would be prepared using information and assumptions that are inconsistent with those underpinning the budget baseline estimates. Moreover, not having these models does hamper the PBO's ability to undertake medium term fiscal sustainability analysis, due to the level of additional resources required to replicate the revenue estimates.

The accuracy of PBO costings has only on rare occasions been affected by lack of access to the Contingency Reserve, revenue forecasting models, and other information from the Government, although these differences have at times had a high profile.¹⁰⁶ In the light of this, and the continued Government sensitivity on the subject, the review concluded it is not worth further pursuing the issue at this time, but it should continue to be monitored by the JCPAA.

The ready access to information by the PBO reflects the cooperative, non-adversarial nature of the relationship between the PBO and Government Departments and Agencies. There is little, if any, scope to improve the performance of the PBO by further improvements in the timeliness of responses from Government Departments and Agencies.

While there may be a sound conceptual argument in favour of the PBO having a legislative right to information,¹⁰⁷ experience to date with the MOU suggests that its absence has not had a significant adverse impact on the PBO's operations.¹⁰⁸

¹⁰³ Joint Committee of Public Accounts and Audit (2014a), p 30.

¹⁰⁴ Australian Government (2015).

¹⁰⁵ Letter of 15 September 2014.

¹⁰⁶ Parliamentary Budget Office (2014a), p 13.

¹⁰⁷ Australian National Audit Office (2014), p 28. See also Table A1 in Appendix A.

¹⁰⁸ Australian National Audit Office (2014), p 28; Parliamentary Budget Office (2014a).

Moreover, international experience suggests that inserting a legislative requirement to provide information could risk turning the PBO's relationship with Departments and Agencies into an adversarial rather than a collaborative one.¹⁰⁹

Access to information should, however, be regularly monitored by the JCPAA so that remedial steps can be taken in the seemingly unlikely event that the PBO's current good access to information deteriorates.

Recommendation 5

The PBO should ensure that the JCPAA is provided with sufficient data to allow it to regularly monitor the provision of information to the PBO through the Memorandum of Understanding.

Collaborative relationship with Government Departments and Agencies

Consultations with stakeholders indicated that to date the PBO has already established good collaborations with the Departments of the Treasury and Finance. Building on this, and the PBO's involvement in technical discussions with some Government Departments and Agencies (such as the Interdepartmental Household Modelling Group), would help to improve the consistency and quality of policy costings generally. This could include greater collaboration at the early stages of model development, although this should not impinge upon the confidentiality of costing requests, or Departments and Agencies' reasonable concerns about the sensitivity of budget and related estimates.

One area where the PBO could improve the accuracy of costings would be to work more closely with Government Departments and Agencies to understand the composition and drivers of baseline budget estimates, allowing it to have greater certainty about the marginal impact of a proposal on the budget, and increase the efficiency of the costing process.

¹⁰⁹ See, for example, the experience of the Canadian Parliamentary Budget Office (Page and Yalkin (2013), pp 172-3) and the Hungarian Fiscal Council (Kopits and Romhányi (2013), p 219).

As noted in the ANAO performance audit of the PBO, providing Government Departments and Agencies with sufficient context in relation to its information requests (whilst maintaining client confidentiality) helps them to provide the PBO with the most relevant information in a timely manner.¹¹⁰ Ensuring that this practice continues and improves would enable the PBO to more effectively leverage the resources and expertise within the bureaucracy.

Recommendation 6

The PBO should continue to work collaboratively with Government Departments and Agencies on information requests and model development, consistent with maintaining the confidentiality of parliamentarians' policy proposals. The PBO should ensure that it includes sufficient context to enable the provision of the most appropriate information in response.

Inclusion of economy-wide (second-round) effects in costings

Wherever possible, PBO costings will take into account the direct 'impact of a change in policy on the behaviour of certain groups, where this impacts on the cost of a measure'.¹¹¹ However, consistent with the *Charter of Budget Honesty Policy Costing Guidelines*, the PBO does not generally include broader economic, or second-round, effects in policy costings.¹¹² The Post-election Report on election commitments does not include either quantitative or qualitative broader economic analysis of the election platforms that parliamentary parties take to a general election.¹¹³

During consultations for this review, several stakeholders suggested that the PBO should include economy-wide effects in policy costings. They noted in particular that, where a policy proposal's key rationale is to increase the level of economic activity (whether through increased employment, investment or productivity), not including these broader economic effects in costing estimates risked presenting a misleading impact of the policy proposal on the budget.

¹¹⁰ Australian National Audit Office (2014), p 21.

¹¹¹ Secretaries to the Treasury and the Department of Finance (2016), p 6.

¹¹² Secretaries to the Treasury and the Department of Finance (2016), p 7.

¹¹³ Parliamentary Budget Office (2014d).

There is an established international precedent for this approach, with the CBO in the United States required, as of 2015, to include ‘dynamic scoring’ (economy-wide effects) for proposals with a gross budgetary effect of over 0.25 per cent of Gross Domestic Product in any year over the next ten years.¹¹⁴ In Australia, this would translate, in 2016-17, to a gross budgetary effect of over \$A4 billion.

The uncertainties involved with including economy-wide effects are well-documented.¹¹⁵ In addition to uncertainties surrounding the impacts of any policy proposal on growth, productivity, investment or employment, there are those associated with macroeconomic forecasting. Varying estimates of economic growth, for example, will have correspondingly wide ranges of revenue projections arising from a proposed tax reform. Inadvertent erroneous assumptions would expose the PBO to major inaccuracy and could give rise to perceptions of partisanship.

The *Charter of Budget Honesty Policy Costing Guidelines* note that broader economic effects have only been included in costings in the rare cases where broad-based packages were expected to produce unambiguous benefits for the whole economy that were likely to be measurable over the forward estimates.¹¹⁶

There is no need to change the PBO’s current practice. Except for these rare cases, the uncertainties involved in estimates of broader economic effects (both in timing and magnitude), along with the limited value of partial estimates, means that it would not be meaningful to require the PBO to include quantitative estimates of broader economic effects in costings or the Post-election Report of election commitments.

Ex-post analysis of costings

The PBO endeavours to produce costings that are objective and of high quality. This would be assisted by including a practice of formally reviewing selected PBO costing estimates where the proposals are implemented and the budget impact is able to be determined.

¹¹⁴ Congressional Budget Office (2015).

¹¹⁵ See, for example, Adam and Bozio (2009) and Van de Water and Huang (2015).

¹¹⁶ Secretaries to the Treasury and the Department of Finance (2016), p 7.

In its baseline budget projections, the CBO includes an analysis of changes from previous projections. These changes are categorized as the result of new legislation, the result of changes in economic conditions and the economic outlook or the result of changes in other factors.¹¹⁷ The CBO regularly publishes comparisons of its economic projections with those of other forecasters. When, for example, spending on a government program is higher or lower than the CBO had expected after a legislative change, it is not always apparent whether the error can be attributed to the baseline or the CBO's estimate of the effects of new legislation. By examining any errors in its projections, reviewing data on spending patterns for federal programs, and consulting with outside experts on those programs, the CBO can improve its estimating methodology.¹¹⁸

Ex-post analysis of costings is complex, with significant conceptual and technical challenges in isolating the impact of a proposal and/or the reasons for any variation from an initial estimate. Nevertheless, the PBO could help improve the accuracy of its costings by conducting a regular, ex-post analysis of a limited selection of its policy costing estimates, comparing them with actual outcomes and identifying areas for improvement. Conducting a review of selected PBO estimates and expertise will reduce the risk of the PBO unwittingly committing systematic errors. Advising the JCPAA of the outcome is consistent with the best budget transparency.

Recommendation 7

The PBO should periodically conduct an ex-post analysis of a limited selection of its policy costing estimates, to help identify areas for improvement in future costings, and report the results to the JCPAA.

¹¹⁷ Congressional Budget Office (2016c).

¹¹⁸ Congressional Budget Office (2016c).

PBO staff development and training

The OECD principles for good practice in IFIs emphasise the importance of technical competence of the staff and leadership of the IFI.¹¹⁹

When the PBO was initially established, it was largely staffed through secondments of officials from the Departments of the Treasury and Finance with a background in policy costings.

Subsequently, the PBO has had to place a stronger emphasis on building its capability in policy costings and budget analysis internally. The PBO has also conducted its own recruitment, increasingly attracting high quality applicants from both within and outside the Australian Public Service.¹²⁰

Nevertheless, costing work is recognised to be highly specialised. As noted by the Joint Select Committee on the Parliamentary Budget Office, ‘costings work generally requires high level skills, technical knowledge and data, the application of professional judgement and specialised economic models’.¹²¹ The PBO has therefore needed to devote considerable resources to training new staff. This is essential to achieving its outcomes and should be further encouraged.

Reciprocal secondments (recommendation 3) and regular technical discussions with Government Departments and Agencies (recommendation 6) will also help to improve the modelling capability of staff and so improve the accuracy of costings of proposals and election commitments.

¹¹⁹ OECD Principles 4 and 8. See Table A1 in Appendix A for the full list of OECD principles.

¹²⁰ Experience working with the PBO is also regarded as valuable by other institutions.

¹²¹ Joint Select Committee on the Parliamentary Budget Office (2011), p 39. See also The Treasury and the Department of Finance and Deregulation (2011), p 10.

5. Transparency and public understanding of budget and fiscal policy settings

The PBO's primary mechanism for increasing transparency and public understanding of budget and fiscal policy settings is through its self-initiated research program.

Section 64E of the *Parliamentary Service Act 1999* requires the Parliamentary Budget Officer to 'conduct, on his or her own initiative ... research on and analysis of the budget and fiscal policy settings'. This is to include research conducted in anticipation of requests relating to policy costing and budget analysis.¹²²

The PBO has published a number of self-initiated reports that have expanded the information available to the public, and helped produce greater budget transparency (including in the Budget papers).¹²³ These include reports:

- focusing on the medium-term fiscal outlook
- designed to enhance public understanding of the Budget, either through detailed analysis of particular areas of the Budget, or by increasing understanding of government accounting practices, and
- providing estimates on the extent of unlegislated measures included in budget estimates.

The PBO has sought to inform, rather than directly participate in, the public policy debate. In the 2014 ANAO report, stakeholders agreed that the PBO's work had 'facilitated a more informed public debate about budgetary matters'.¹²⁴ In response, the JCPAA agreed that the PBO 'is providing high-quality advice in an impartial manner' and 'strengthening informed public debate'.¹²⁵ Our consultations with stakeholders confirmed that the PBO is widely regarded as independent and non-partisan, with a reputation for professional and rigorous analysis and that its analytical work added to the public policy debate.

¹²² *Parliamentary Service Act 1999*, s. 64E.

¹²³ See Appendix F for details of the PBO's self-initiated reports.

¹²⁴ Australian National Audit Office (2014), p 18.

¹²⁵ Joint Committee of Public Accounts and Audit (2014a), pp 15 and 46.

Our consultations suggested that the publication of the work plan of proposed self-initiated reports has also contributed to the PBO's reports being seen as objective and without a partisan agenda behind them. This is perhaps helped because the PBO is reliant on others to spread awareness of its work.

Wider consultation on self-initiated research work plan

The PBO is required by its legislation to consult with the JCPAA in the preparation of its annual work plan.¹²⁶ This is currently done by providing the JCPAA with a draft of the work plan before publication. The PBO is not required to provide a detailed explanation of its choice of self-initiated research topics.

While the choice of reports undertaken must remain a matter for the Parliamentary Budget Officer, there is scope for a greater level of (formal and informal) engagement with the target audience on the topics and form of PBO reports.

The consultation process would benefit from, for example, a specific annual presentation by the PBO to the JCPAA on the elements of its proposed self-initiated research program, providing a broad outline and rationale for the planned research reports.

Consultation could also be expanded to include talking with (or seeking input from) relevant parliamentary committee chairs, deputy chairs and/or secretaries, and some parliamentarians and their staff. In the US, for example, most CBO analytic reports are written at the request of the Chairman or Ranking Member of a committee or subcommittee, or at the request of the leadership of either party in the House or Senate.¹²⁷ The PBO could firstly consider approaching for consultation those committees whose inquiries it has previously made submissions to, namely:

- the Senate Select Committee on Health
- the House of Representatives Standing Committee on Economics
- the House of Representatives Standing Committee on Tax and Revenue, and
- the Senate Standing Committee on Legal and Constitutional Affairs.

¹²⁶ *Parliamentary Service Act 1999*, s. 64Q.

¹²⁷ Congressional Budget Office (2016e).

Broadening the consultation base would also help generate ideas for research and help the PBO tailor its research to topics of interest to the Parliament.

Finally, a more interactive consultation process would promote increased awareness among parliamentarians of the PBO's self-initiated reports and their link to costing work. This would add greater context and credibility to policy costings, may enhance their timeliness, and could strengthen the level of understanding and support for the PBO's self-initiated work among parliamentarians. Stakeholder consultation confirms that parliamentarians place a very high value on PBO costing work, but place much less importance on self-initiated reports, particularly where they do not have a clear link to costing activities. In contrast, non-parliamentary, non-Government stakeholders place a higher value on the self-initiated reports.

Evolution of the PBO's activities

Not only are IFIs varied in their organisational structure, mandate, staffing and degree of media engagement, but their role tends to evolve over time as they build a reputation for objective, independent analysis. This review has examined the experience of comparable international institutions and consulted with a wide variety of stakeholders to help inform suggestions as to how the PBO might evolve as it builds upon the foundations it has established.¹²⁸

Unlike most IFIs, the PBO's legislation prevents it from producing independent economic or fiscal forecasts. The review panel concluded that there was no need at this time to change the forecasting arrangements.

Some stakeholders considered that the PBO reports providing detailed medium-term (the budget year plus ten years) fiscal projections and sensitivity analysis to be the most valuable of the self-initiated research reports. These reports are perceived to be balanced, well-informed and particularly helpful when focusing on areas that the PBO can add value. More generally, stakeholders placed value on those reports that focused on areas where the PBO has a comparative advantage.

¹²⁸ See Appendix A for an international comparison and Appendix G for a stakeholder consultation list.

Other stakeholders were unaware of the PBO's self-initiated reports, even those with close interests in fiscal sustainability issues. This could reflect the fact that the PBO is still a relatively 'young' organisation and without direct involvement in the public policy debate.

The PBO's 2016-17 Work Plan includes proposed annual publications on medium-term projections of receipts and payments (including sensitivity analysis) following the budget, with tables of updated projections proposed to be published following mid-year fiscal updates.¹²⁹ The Work Plan also includes proposals to publish reports on key underlying drivers of the budget, namely the impact of the ageing population on government spending over the long term, as well as medium-term projections of spending on the Pharmaceutical Benefits Scheme, the Disability Support Pension and the Age Pension.¹³⁰

The demand for policy costings and budget analyses is expected to moderate in the period after the election, permitting the PBO to allocate more resources to the self-initiated research program and to the development and maintenance of the PBO's financial models and data bases.¹³¹ It will, however, pick up again as the next election grows nearer.

As mentioned earlier, the evolution of the PBO's activities will depend on a variety of factors as it builds a reputation for objective independent analysis. There is no one, ideal path for the PBO to follow (a point emphasised by the different evolutionary paths followed by the more mature IFIs), and much of the evolution will be shaped by factors external to the PBO.

That said, the review panel concluded that there was value in suggesting a possible path for the Parliamentary Budget Officer to consider, reflecting both the PBO's comparative advantage and the focus of the Australian public policy debate. In doing so, it was well aware of the independence of the Parliamentary Budget Officer and his/her role in determining the direction of the PBO. It was also aware of the PBO's resource constraints and the path is accordingly a staged one that places modest demands on the PBO.

¹²⁹ Parliamentary Budget Office (2016a), p 4.

¹³⁰ Parliamentary Budget Office (2016a), p 4.

¹³¹ Parliamentary Budget Office (2016a), p 3.

The evolution of the PBO's activities should follow a three-step process. First, the PBO should continue to build on its medium-term fiscal sustainability work, providing regular and focused updates of the long-term impact of policy decisions and changes in economic parameters.

Secondly, the PBO should build its capacity to analyse underlying drivers of the budget over the longer term (including demographic analysis). Long-term fiscal sustainability analysis is a key function of most IFIs, with many comparable institutions publishing regular fiscal sustainability reports. The PBO currently devotes a substantially lower proportion of its resources to these analyses than other IFIs.

Finally, as the PBO's longer-term analytic ability develops, it would be well positioned to take responsibility for the next Intergenerational Report (IGR), scheduled for 2020, should the Government of the day decide to transfer it to the PBO. The IGR, currently published by the Government every five years, assesses the long-term sustainability of current Government policies by analysing the key drivers of economic growth – population, participation and productivity. Transferring responsibility to the independent PBO would help to ensure that the IGR is perceived to be a non-partisan report.

Recommendation 8

To improve the relevance of its self-initiated work, the PBO should:

- a. develop deeper and broader consultation with the JCPAA and other parliamentary committees**
- b. align more closely its self-initiated work with, and help build the capacity of, PBO costing work, and**
- c. consider a possible evolution of its self-initiated work program by:**
 - i. expanding its existing focus on medium-term fiscal sustainability issues**
 - ii. building its capacity to analyse underlying drivers of the budget over the longer term, including, but not limited to, demographic analysis, and**
 - iii. ensuring it has the capacity to further develop its longer-term analytic ability to allow consideration to be given to transferring responsibility for the next Intergenerational Report (scheduled for 2020) to the PBO.**

Increasing public understanding of the costing process

An important mechanism of protecting the independent, non-partisan, reputation of the PBO is to ensure that the methods by which its costings are prepared are transparent and understandable.¹³²

The PBO website provides summary descriptions of methodologies and technical assumptions used in costings and links to data underlying charts in published research reports. The CBO in the United States publishes, on its website, data and technical information as background for some reports. Interest in this information is, however, likely to be confined to experts in the field(s).

The *Charter of Budget Honesty Policy Costing Guidelines* outlines the processes to be followed by the Treasury, the Department of Finance and the PBO for preparing policy costings.¹³³ It includes guidelines on costing variables and assumptions, and the process for election costings. These guidelines, along with pro-forma for election commitment costing requests and public release, are publicly available on the Department of Finance and Treasury websites. The PBO has published guidance specifically aimed at Senators and Members on policy costing procedures, information requirements and methodology (including conventions for the preparation of costings).¹³⁴

However, no information is currently published by the PBO for a general, non-technical audience explaining the policy costings process. The level of public understanding of the budget papers and the work of the PBO would be enhanced if the PBO published non-technical information explaining its approach to policy costings. This approach would permit a more transparent assessment of the methodology, increasing public awareness and understanding of the costing process.

Recommendation 9

The PBO should more fully explain the methodology underlying the policy costing process, including in a non-technical fashion.

¹³² Anderson (2015).

¹³³ Secretaries to the Treasury and the Department of Finance (2016).

¹³⁴ Parliamentary Budget Office (2014b).

Public release of confidential PBO costing response documents

The ability of parliamentarians – the primary clients of the PBO – to submit policy costings to the PBO which are treated confidentially, is essential. It permits iterative policy development and has the potential to improve the policy debate.¹³⁵ Accordingly, the PBO’s legislation provides strict protection for confidentiality around parliamentarians’ costing requests. Parliamentarians control the release of their information, with the PBO only able to comment on confidential requests where it is satisfied that the public interest requires clarification of a matter.¹³⁶ In determining whether it is necessary to make a clarifying statement the PBO considers whether its response has been materially misrepresented.

This strict confidentiality around costings was deliberately established to encourage use of the PBO and to avoid the suggestions of partisanship that might arise if the PBO was responsible for releasing costing information. Any risk to the confidentiality of a request would be likely to affect the willingness of a parliamentarian to use the PBO. Parliamentarians have confirmed that ‘confidentiality strengthens the PBO’s capacity to provide assistance to parliament; allows costings to occur in a considered manner; and subsequently improves the policy debate.’¹³⁷ Parliamentarians consulted in relation to this review reiterated the critical value of confidentiality, unless requested otherwise.

The question of whether a confidential costing response document should remain confidential when a parliamentarian makes a policy announcement that includes reference to the PBO’s estimates from the costing, thereby drawing explicitly on the PBO’s reputation, is less clear.

Where a parliamentarian’s policy announcement includes reference to the underlying PBO costing estimates, best practice in budget transparency would be for the parliamentarian to also publish, in full, the associated PBO costing response document. With details of any data limitations and costing assumptions made transparent, this would permit more informed commentary on the policy proposal. In practice, however, parliamentarians do not often publish PBO costing response documents.

¹³⁵ Australian National Audit Office (2014), p 21.

¹³⁶ *Parliamentary Service Act 1999*, ss. 64H and 64V.

¹³⁷ Australian National Audit Office (2014), p 73.

On the other hand, strict confidentiality has successfully encouraged use of the PBO's costing processes and any watering down of that may reduce usage to the possible detriment of the public policy debate. It also may encourage release of information only when it makes little contribution to the debate, defeating the purpose of the possible change. Finally, PBO costing response documents necessarily and typically contain more detailed information than measure descriptions in the Budget papers because they serve a broader purpose. Requiring the underlying costing documents to be published, when reference to a set of estimates is made public, is therefore likely to tilt the playing field again.

While the review panel decided, on balance, not to recommend any change in the current strict confidentiality surrounding costings and costing documents, it is appropriate to make more transparent the extent to which parties and parliamentarians publicly draw on the PBO's reputation but do not release its costing response documents. This might give some encouragement to parliamentarians to voluntarily release costings, and in turn, would result in more informed public debate without compromising confidentiality. Accordingly, the PBO should publish regular data on the number of policy announcements made with reference to PBO costings, and whether or not, and when, the underlying PBO costing response document was released by the party or parliamentarian concerned.

Recommendation 10

The PBO should publish regular data on the number of policy announcements made with reference to PBO costings, and whether or not, and when, the underlying PBO costing response document was released by the party or parliamentarian concerned.

Increasing the value of the Post-election Report

The PBO's legislation requires the publication of a Post-election Report setting out the financial impact of the election commitments of political parties with five or more parliamentarians within 30 days of the end of the caretaker period following a general election.¹³⁸ The PBO produced Post-election Reports in October 2013 and August 2016.¹³⁹ Including attachments, the 2016 Post-election Report was a substantial body of work of over 900 pages.

Many stakeholders were not aware of the Post-election Report's existence. Others noted that, while a worthy document (and a potentially valuable resource for commentators and academics), both the 2013 and 2016 Post-election Reports received little media and public attention, and had virtually no impact on the public policy debate relative to the amount of work put into their publication.

Some stakeholders considered that this reflected the timing of the Post-Election Report: it is released after a general election but usually before parliamentary sittings resume, at a time when interest in the detail of commitments (apart from the Government's) made in the run up to the election is at a very low ebb. Some also noted that there was little new information in the Post-election Report, as neither the 2013 nor the 2016 Reports showed material differences with the budget impact statements released by the parties prior to the election.

A few stakeholders argued that the existence of the Post-election Report served as a source of fiscal discipline on parliamentary parties in the election. Nevertheless, there was general agreement that the Post-election Report of election commitments was not as useful for public policy debate as it might be.

In its 2014 report, the JCPAA recommended that the analysis in the Post-election Report be extended to include, where possible, ten-year medium-term projections of the budget impact of election commitments.¹⁴⁰ This recommendation was noted by the Government, but no further action was taken.

¹³⁸ Sections 64MA, 64MAA, 64MB and 64MC of the *Parliamentary Service Act 1999* set out the requirements for the Post-election Report. See Australian Government (2016a).

¹³⁹ Parliamentary Budget Office (2013) and Parliamentary Budget Office (2016c).

¹⁴⁰ Joint Committee of Public Accounts and Audit (2014a), Recommendation 8, p xiv.

Consistent with the *Charter of Budget Honesty Costing Guidelines*, the 2016 Post-election Report included costing estimates for up to ten years for policies where the impact differed ‘significantly’ from that over the forward estimates period.¹⁴¹

In order to provide a more accurate representation of the budget impact of election commitments – and to reflect an increasing focus on fiscal sustainability – the Post-election Report could include the financial impact over the medium term of major policy proposals. This would help to avoid election commitments being framed so that the full ongoing budget impact is not apparent until beyond the forward estimates period.

It is generally agreed that costing estimates become more uncertain the further into the future the estimates are projected. There is, however, evidence to suggest that long-term projections are valuable, even though they may not be as reliable as those for shorter periods.¹⁴² Signs and orders of magnitude are still useful, and longer term projections are able to identify the driving forces of future fiscal positions.

Section 64MA of the *Parliamentary Service Act 1999* only requires analysis (of both individual election commitments and their total combined impact) in the Post-election Report in the forward estimate years. However the PBO should extend its analysis in the Post-election Report to include (in addition to the forward estimates period) the financial impact over the medium term of the top ten policy proposals by dollar value¹⁴³ and any proposal with an impact of over \$1 billion in a year.¹⁴⁴ The Post-election Report should also include, as it currently does, the medium-term impact of proposals with a significantly different impact beyond the forward estimates. In addition, estimates of the medium-term financial impact of the overall election platform for each parliamentary party should be included.

¹⁴¹ Secretaries to the Treasury and the Department of Finance (2016), p 5.

¹⁴² See, for example, Penner (2016).

¹⁴³ Analysis of 2016 election commitments shows that the top ten policy proposals would account for at least 50 per cent of the total gross financial impact.

¹⁴⁴ This would capture any sizeable policies not already among the top ten.

Recommendation 11

The Post-election Report of election commitments should include the financial impact over the medium term (in addition to the forward estimates period) of:

- i. the top ten policy proposals by dollar value**
- ii. any proposal with an impact of over \$1 billion in a year**
- iii. proposals with a materially different impact beyond the forward estimates, and**
- iv. the overall election platform for each political party.**

The *Parliamentary Service Act 1999* requires publication of the Post-election Report before the end of 30 days after the end of the caretaker period for a general election.¹⁴⁵ To enhance the visibility of the Post-election Report, the *Parliamentary Service Act 1999* should be amended to delay publication of the Post-election Report until nearer to or at the resumption of parliamentary sittings following a general election.¹⁴⁶

The Post-election Report may consequently register more widely as an indicator of a parliamentary party's – and the Government's – fiscal discipline in the context of its election platform. This delay in publication is also expected to accommodate the additional work required to include the financial impact over the medium term of selected measures and the potential inclusion of election commitments of parliamentary political parties with fewer than five Members or Senators in the Post-election Report (recommendation 13).

Recommendation 12

The timing of the publication of the Post-election Report of election commitments should be delayed to the later of the first sitting day of Parliament following a general election or 30 days after the return of the writs from a general election.

¹⁴⁵ *Parliamentary Service Act 1999*, s. 64MA.

¹⁴⁶ See Appendix I.

At present, the Post-election Report only contains the budget impacts of the election commitments of parties with at least five Members or Senators in the Parliament.¹⁴⁷ However, minor parties and independent members now play a prominent role on some budget-related issues. To reflect this, parties with fewer than five Members or Senators should be given the option to have the financial impact of their election commitments included in the Post-election Report.

This proposal is similar to the practice of the CPB in the Netherlands, which publishes a party's consolidated pre-election platform costings if that party requests it, regardless of the size of membership. In Australia, this may result in an increased expectation for minor parties to fully articulate their policy platforms, which should enable more informed policy discussions, albeit at the cost of an increase in demand for PBO costing services.

Recommendation 13

The PBO should provide parliamentary political parties with fewer than five Members or Senators the option to have the financial impact of their election commitments included in the PBO's Post-election Report of election commitments.

Budget chart packs

The PBO currently publishes chart packs – graphical summaries of the key drivers of the Government's economic and fiscal statements and the policy decisions underpinning them – following each budget update (after the Budget and the Mid-year Economic and Fiscal Outlook).¹⁴⁸

In consultation, many stakeholders reported that they found these chart packs to be of limited benefit, as they are primarily based on publicly-available information in the economic and fiscal statements. In the presence of increasing demands on resources, the PBO should re-assess the decision to publish these reports.

Recommendation 14

The PBO should consider the value of continuing to publish the chart pack following each fiscal update.

¹⁴⁷ *Parliamentary Service Act 1999*, s. 64MA.

¹⁴⁸ See Appendix F for details of the PBO's self-initiated reports.

6. Resources and governance

PBO funding to date

The PBO receives an annual appropriation of around \$7 million and an additional appropriation of approximately \$0.5 million in election years.¹⁴⁹ The PBO was also provided with a one-off special appropriation of \$6 million on its establishment.¹⁵⁰ As at 30 June 2016, the closing balance of this special appropriation was estimated to be just under \$5 million with approximately \$1 million having been drawn down over the period 2013-14 to 2015-16.¹⁵¹

The PBO has been able to operate primarily within its ongoing appropriation to the end of 2015-16, only drawing down on its special appropriation to meet some of the capital costs associated with its establishment. Given the growing demand for its services to date, and likely growth in the next few years, this is unlikely to continue.

Projected PBO funding

The PBO has provided the JCPAA with draft estimates of its funding to 2020-21.¹⁵² The PBO projects that it will be required to draw-down from its special appropriation in 2016-17, due to increasing demand for costing work and budget analyses, the impact of the temporary build-up of staff ahead of the July 2016 election and the cumulative impact of efficiency dividend reductions on the PBO's annual appropriations.¹⁵³ In real terms, the PBO's ongoing appropriation is projected to decline by around 16 per cent over the period 2013-14 to 2020-21.

Draw-downs from the special appropriation are projected to continue in 2017-18 and later years to maintain anticipated work levels and the established pattern of staff levels throughout the next electoral cycle. By the end of the 2017-18 Budget forward estimates period in 2020-21, over 14 per cent of the PBO's costs would be being met from draw-downs of the special appropriation.¹⁵⁴

¹⁴⁹ *Parliamentary Service Act 1999*, s. 64D.

¹⁵⁰ See Appendix D for more detail on PBO resource estimates.

¹⁵¹ Parliamentary Budget Office (2016a), p 25.

¹⁵² See Appendix D on PBO resources.

¹⁵³ Parliamentary Budget Office (2016a), p 8.

¹⁵⁴ Information provided by the PBO.

On current projections, the special appropriation will be exhausted by the end of 2020-21. This deadline may be able to be postponed by reducing the PBO's costs and/or activities, and the review panel has made some recommendations to that end. However, even with those economies, it is very likely that, at some point in the life of the next Parliament, parliamentarians and the then Government will face a choice of either providing additional resources to the PBO or seeing a signification reduction in its activities. Those undertaking the next independent review of the PBO, which may be requested by the JCPAA after the next election, will need to be particularly mindful of that issue.

The PBO should, to the greatest extent possible, seek to meet demand for its services within its current budget. In the first instance, the onus is on the PBO to demonstrate that it is:

- setting priorities effectively, ie meeting the needs of parliamentarians, and reducing activities that have a low parliamentary priority, and
- operating efficiently, ie undertaking its activities in the most cost-effective manner possible.

OECD guidance on the governance of IFIs notes the importance of ensuring that resources for an IFI are commensurate with its mandate.¹⁵⁵ On the current trajectory, that is unlikely to be the case for the PBO after 2020-21.

The recommendations in this report are consistent with the PBO meeting the demand for its services from within its existing budget and several include reducing PBO activities and costs. To the extent that there are additional functions proposed in the recommendations, the costs are minimal and these are intended to be undertaken within the current resources framework.

As part of its oversight role, the JCPAA may request the Parliamentary Budget Officer to submit draft estimates for the PBO for a financial year before the budget for that financial year.¹⁵⁶ It is also required to consider the resources of the PBO, including 'funding, staff and information technology'.¹⁵⁷

¹⁵⁵ See Table A1 in Appendix A for a list of the OECD principles for IFIs.

¹⁵⁶ *Parliamentary Service Act 1999*, s. 64R.

¹⁵⁷ *Parliamentary Service Act 1999*, s. 64S.

To enable the JCPAA to monitor the volume and quality of the PBO's outputs, it should be regularly provided with sufficient information on the PBO's workload, resource requirements and operating efficiency. This will help the JCPAA assess any future claimed need for increased resources.

Recommendation 15

The PBO should ensure that the JCPAA is regularly provided with sufficient information on the PBO's workload, resource requirements and efficiency, to enable the JCPAA to monitor their impact on the level and timeliness of the PBO's outputs.

Stakeholder survey

In May 2015, the PBO commissioned ORIMA Research to conduct a survey of its stakeholders, including Parliamentarians and their staff, a select number of key independent analysts and some media representatives. While responses were received from the offices of only 20 per cent of parliamentarians, 86 per cent of respondents indicated that they were either satisfied or very satisfied with the work and the role of the PBO.¹⁵⁸

The PBO's 2015-16 Annual Report noted that the survey was not repeated in 2015-16 as it was a transitional year for the new performance statement requirements of the *Public Governance, Performance and Accountability Act 2013*.¹⁵⁹ Instead, it stated that 'the PBO will reassess how it can enhance mechanisms to gather feedback from key stakeholders in 2016-17 building on the initial survey'.¹⁶⁰

The ANAO conducts several stakeholder surveys, including a *Survey of Parliamentarians* which is undertaken once in each Parliament, approximately 18 months into a new Parliament.¹⁶¹ The survey is used (among other things) to gauge how satisfied parliamentarians are with ANAO services and the assurance provided by ANAO audit opinions issued in relation to financial statements. This is a valued guidance tool for the ANAO.

¹⁵⁸ Parliamentary Budget Office (2015b), p 20.

¹⁵⁹ Parliamentary Budget Office (2016a).

¹⁶⁰ Parliamentary Budget Office (2016a), p 24.

¹⁶¹ Australian National Audit Office (2016).

Good practice in IFI governance includes developing effective communication channels with stakeholders.¹⁶² Parliamentarians are the key stakeholders of the PBO and without at least one regular update on their views of the PBO and its output it is hard to develop an effective work program or claim to be meeting stakeholder needs. Consistent with ANAO and international best practice, the PBO should repeat its survey of stakeholders once in each Parliament.

Recommendation 16

The PBO should conduct a survey once in each term of Parliament to get feedback on its performance from its stakeholders.

¹⁶² See Principle 21 in Table A1, Appendix A.

References

Adam, S and A Bozio (2009) [Dynamic Scoring](#), *OECD Journal on Budgeting*, Vol 2009/2, pp 1-26.

Anderson, B (2015) 'The value of a nonpartisan, independent, objective analytic unit to the legislative role in budget preparation' in Anderson, B, JK Johnson, FR Stapenhurst and BB Kiraso (2015) [Parliamentary strengthening program: sourcebook on legislative budget offices](#), Washington DC, World Bank Group.

Australia, House of Representatives (2009) [Appropriation Bill \(No 1\) 2009-2010, Second Reading](#), *Debates*, 14 May.

Australia, Joint Select Committee on the Parliamentary Budget Office (2011) [Reference: Role and functions of the Parliamentary Budget Office](#), *Official Committee Hansard*, 1 February.

Australian Government (2010) [Agreement for a Better Parliament: Parliamentary Reform](#), 20 October.

Australian Government (2014a) [The Report of the National Commission of Audit](#), February.

Australian Government (2014b) [Australian Government Protocols governing the engagement between Commonwealth Bodies and the Parliamentary Budget officer](#).

Australian Government (2015) [Australian Government response to the Joint Committee of Public Accounts and Audit Report No. 446](#).

Australian Government (2016a) [Guidance on Caretaker Conventions: Department of the Prime Minister and Cabinet](#).

Australian Government (2016b) [Budget 2016-17: Budget Strategy and Outlook, Budget Paper No 1](#).

Australian Government (2016c) [Budget 2016-17: Budget Measures, Budget Paper No 2](#).

Australian National Audit Office (2014) [The Administration of the Parliamentary Budget Office](#), Audit Report No 36 2013-14, Performance Audit, June.

Australian National Audit Office (2016) [The Auditor-General: Annual Report 2015-16](#).

Bowen, P (2015) '[Senate Occasional Lecture, The Parliamentary Budget Office: Supporting Australian Democracy](#)', 25 September.

[Charter of Budget Honesty Act 1998](#).

Congressional Budget Office (2015) [Answers to Questions About Dynamic Analysis](#).

Congressional Budget Office (2016a) [Panel of Economic Advisors](#).

Congressional Budget Office (2016b) [Panel of Health Advisors](#).

Congressional Budget Office (2016c) [How accurate are CBO's estimates and forecasts?](#)

Congressional Budget Office (2016d) [Transparency](#).

Congressional Budget Office (2016e) [An Introduction to the Congressional Budget Office](#), July.

Central Planning Bureau Audit Committee (2016) [Noblesse Oblige: Findings](#).

Crippen, D (2003) '[Countering Uncertainty in Budget Forecasts](#)', *OECD Journal on Budgeting*, Vol 3, No 2, pp 139-151.

Debrun, X, T Kinda, T Curristine, L Eyraud, J Harris and J Seiwald (2013) '[The Functions and Impact of Fiscal Councils](#)', *International Monetary Fund Policy Paper*, 16 July, International Monetary Fund, Washington, DC.

Department of Finance (2016) [Resource Management Glossary – efficiency dividend](#).

[Freedom of Information Act 1982](#).

International Monetary Fund (2015) [Fiscal Council Dataset](#).

Joint Committee of Public Accounts and Audit (2014a) [Review of the Operations of the Parliamentary Budget Office](#), Report 446, December.

Joint Committee of Public Accounts and Audit (2014b) Statement on the draft budget estimates for the Australian National Audit Office and the Parliamentary Budget Office, 13 May.

Joint Committee of Public Accounts and Audit (2015) Statement on the draft budget estimates for the Australian National Audit Office and the Parliamentary Budget Office, 12 May.

Joint Committee of Public Accounts and Audit (2016) Statement on the draft budget estimates for the Australian National Audit Office and the Parliamentary Budget Office, 3 May.

Joint Select Committee on the Parliamentary Budget Office (2011) [Inquiry into the proposed Parliamentary Budget Office](#), March.

Karp, P (2016) [Labor’s negative gearing and capital gains tax change may raise less than expected](#), *The Guardian*, 29 June.

Kopits, G (2011) ‘[Independent Fiscal Institutions: Developing Good Practices](#)’, *OECD Journal on Budgeting*, Vol 11/3, pp 1-18.

Kopits, G (eds) (2013) *Restoring Public Debt Sustainability: The role of independent fiscal institutions*, Oxford University Press.

Kopits, G (2013a) ‘Introduction and overview’ in Kopits, G (eds) (2013).

Kopits and Romhányi (2013) ‘Hungary: a short-lived fiscal watchdog’ in Kopits, G (eds) (2013).

National Commission of Audit (2014) [Towards Responsible Government - The Report of the National Commission of Audit](#).

Organisation for Economic Co-operation and Development (2014) [Recommendation of the Council on Principles for Independent Fiscal Institutions](#), February.

Organisation for Economic Co-operation and Development (2016) [OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions \(PBO\)](#).

Office for Budget Responsibility (2014) [Economic and fiscal outlook](#), December.

Office for Budget Responsibility (2016) [What we do](#).

Office of the Parliamentary Budget Officer (2016) [Discussion documents for consultation on renewed mandate for the Parliamentary Budget Officer](#), July.

Page, K (2014) [External review of the Office for Budget Responsibility](#).

Page, K and TR Yalkin (2013) ‘Canada: Oversight with Qualified Independence’ in Kopits, G (eds) (2013).

Parliament of Australia (2016) [Media Release: Public Accounts Committee announces PBO review](#), Joint Committee of Public Accounts and Audit, 14 November.

Parliamentary Budget Office (2013) [Post-election report of election commitments: 2013 general election](#), 18 October.

Parliamentary Budget Office (2014a) [Submission to the Joint Committee of Public Accounts and Audit inquiry into the operations of the Parliamentary Budget Office](#).

Parliamentary Budget Office (2014b) ['Guide to policy costings procedures, information requirements and methodology'](#), PBO Guidance 02/2014.

Parliamentary Budget Office (2014c) [1.1 Supplementary to submission 1](#) to the Joint Committee of Public Accounts and Audit [Inquiry into the proposed Parliamentary Budget Office](#).

Parliamentary Budget Office (2014d) [Guidance 02/2014 Guide to Policy Costing Procedures, Information Requirements and Methodology](#).

Parliamentary Budget Office (2015a) [Factors influencing the reliability of costings of policy proposals: The PBO's approach to reliability ratings](#), Technical note no. 01/2015, 30 June.

Parliamentary Budget Office (2015b) [Annual Report 2014-15](#).

Parliamentary Budget Office (2015c) [PBO Submission to the Standing Committee on Tax and Revenue inquiry into the Tax Expenditures Statement](#).

Parliamentary Budget Office (2016a) [Annual Report 2015-16](#).

Parliamentary Budget Office (2016b) [Work Plan 2016-17](#).

Parliamentary Budget Office (2016c) [Post-election report of election commitments: 2016 general election](#), 5 August.

Parliamentary Budget Office (2016d) [Media release: Reliability of policy costings](#), 29 June.

Parliamentary Budget Office (2017) Report to the Senate Finance and Public Administration Legislation Committee on PBO Activity, 22 February.

Parliamentary Budget Officer (2012) Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in relation to the Provision of Information and Documents, September.

[Parliamentary Service Act 1999](#).

Penner, RG (2016) 'Chapter 3: The Reliability of Long-Term Budget Projections' in Bipartisan Policy Center (2016) [Fixing Fiscal Myopia: Why and How We Should Emphasize the Long Term in Federal Budgeting](#), December.

Secretaries to the Treasury and the Department of Finance (2016) [Charter of Budget Honesty Policy Costing Guidelines](#).

The Treasury (2016) [Tax Expenditures Statement 2015](#).

The Treasury and the Department of Finance and Deregulation (2011) [Joint Select Committee on the Parliamentary Budget Office – Submission 16](#).

Van de Water, P and C-C Huang (2015) [House ‘Dynamic Scoring’ Rule Likely Will Mean More Tax Cuts – Not More Information](#), Center on Budget and Policy Priorities, 5 January.

Von Trapp, L, I Lienert and J Wehner (2016) [‘Principles for independent fiscal institutions and case studies’](#), *OECD Journal on Budgeting*, No 4, Vol 15(2), pp 9-24.

Appendix A – International comparison and the Australian PBO

International best practice principles

The Organisation for Economic Co-operation and Development (OECD) defines independent fiscal institutions (IFIs) as ‘independent public institutions with a mandate to critically assess, and in some cases provide non-partisan advice on, fiscal policy and performance.’¹⁶³

The OECD notes that IFIs are a heterogeneous group, reflecting both the diverse political and institutional circumstances prevailing at their establishment and the different rationale for adoption across countries.¹⁶⁴ Similarly, the International Monetary Fund (IMF) notes that:

a fairly broad definition of fiscal councils is required to accommodate the wide range of institutions considered as such in the literature. Unlike central banks which have fairly uniform goals and instruments across countries, the objectives, tasks and institutional form of fiscal councils depend on the causes and manifestations of the bias affecting fiscal policy and, given the deeply political nature of fiscal policy, on the particulars of the political system.¹⁶⁵

Unsurprisingly, IFIs vary considerably in their role, governance provisions, breadth of mandate and functions, leadership and staff, and budget.¹⁶⁶

Notwithstanding this diversity, the OECD has developed guidance on issues to consider in the design and governance of IFIs, based on lessons learned and good practices.¹⁶⁷ In particular, the OECD principles emphasize the importance of an IFI being non-partisan and independent, with a role that reflects the local institutional environment. A summary of the OECD’s 22 principles, grouped under nine broad headings, is provided at Table A1 of this Appendix.

¹⁶³ Von Trapp, Lienert and Wehner (2016), p 11.

¹⁶⁴ Von Trapp, Lienert and Wehner (2016), p 13.

¹⁶⁵ Debrun et al (2013), p 8.

¹⁶⁶ For example, over half of IFIs are attached to the executive or are stand-alone (often fiscal or academic councils); in others (including Australia), the institution is established in legislation; the remainder are autonomous units connected to the national audit institution.

¹⁶⁷ OECD (2014).

The design and governance of the Australian PBO is generally consistent with the OECD principles for IFIs. One of the most notable exceptions is OECD principle 15, which recommends that IFIs have a legislative guarantee of timely access to all relevant information from Government Departments and Agencies. The PBO's legislative right to information is limited to the caretaker period (usually only a few weeks) and to information in relation to the preparation of the Post-election Report.¹⁶⁸ To the extent to which the PBO's access to information is not guaranteed in legislation at all times, the Australian PBO's practice is also inconsistent with OECD principle 16, which requires the grounds for restricting access to information to also be outlined in legislation.¹⁶⁹

Despite the lack of legislation guaranteeing the PBO access to information outside election periods, the PBO has generally obtained the information it needs from Government Departments and Agencies under an agreed Memorandum of Understanding. Moreover, legislative provisions have not been specifically required to obtain the necessary information during the caretaker periods as the 'good practice' of Departments and Agencies has carried through.

Comparisons with similar institutions

The diversity of IFIs means that it is difficult to pinpoint specific institutions that are directly comparable with the Australian PBO. The following focusses on the key characteristics and experience of those IFIs where either the political and institutional environment is closest to Australia (the United Kingdom and Canada),¹⁷⁰ or where the functions of the IFIs are closest to those of the Australian PBO (the United States and the Netherlands).¹⁷¹

¹⁶⁸ *Parliamentary Service Act 1999*, s. 64KA.

¹⁶⁹ As the Australian PBO does not have a formal role in the Government's Budget process, OECD principle 11 is not applicable to it.

¹⁷⁰ Australia, Canada, the United Kingdom and New Zealand are OECD members with variations of the Westminster political system. New Zealand does not have an IFI.

¹⁷¹ The Congressional Budget Office (in the United States) and the Central Planning Bureau (in the Netherlands) undertake policy costings for parliamentarians across the political spectrum. The Office for Budget Responsibility (in the United Kingdom) reviews the policy costings of the Government.

Table A2 summarises the institutional framework underlying the establishment of the PBO and comparator institutions, listing the roles and responsibilities of each IFI. Table A3 focuses on the key characteristics of the individual IFIs pertinent to the Terms of Reference of this review.

Observations from comparisons with similar institutions

Even within this small subset, it is apparent that the organisational structure, mandate, staffing and degree of media engagement vary considerably. In particular, the heavy focus of the Australian PBO on the costings of policies, with at least two-thirds of analytical staff undertaking full-time costing work in any year,¹⁷² is not the case elsewhere and this is one factor that makes direct comparisons difficult.

The Australian PBO is also relatively new, particularly compared with the well-established IFIs such as the United States' Congressional Budget Office (CBO) and the Netherlands Central Planning Bureau (CPB). The nature of the role and function of an IFI will likely evolve over time, particularly as it builds a reputation for objective independent analysis. This has happened in other developed countries, but the Australian PBO is only starting that journey. Different periods of establishment across IFIs – and hence longevity of agencies – also complicates comparisons.

The Australian PBO has substantially higher staff numbers than either the Canadian Parliamentary Budget Office or the United Kingdom's Office for Budget Responsibility (OBR). This reflects the focus of the Australian PBO on providing policy costings across the political spectrum – which the IMF has noted is particularly labour-intensive¹⁷³ – and specific costing arrangements.

¹⁷² Information supplied by the PBO.

¹⁷³ See, for example, Debrun et al (2013) which notes that 'policy costing is the most resource intensive and time consuming activity requiring a larger and highly specialized staff' (p 35).

- The Canadian PBO has a broad mandate and very limited resources relative to other IFIs. It copes with this by prioritising costing requests based on materiality and contribution potential and by scrutinising Government costings by putting them through a ‘test of reasonableness’ (which is much less resource intensive than developing alternative costings). The Canadian PBO has noted that the proposed expansion of its costing role would need a significant increase in its resources.¹⁷⁴
- The focus of the UK OBR on reviewing the policy costings of the Government means that it is able to have a closer (but still independent) working relationship with Government agencies than that had by the PBO. The UK OBR is able to deliver its costing mandate with limited resources because staff from Treasury, HM Revenue and Customs, the Department for Work and Pensions and the Office for National Statistics provide expertise and support directly to the OBR, including in relation to costings. A 2014 review found that the OBR is dependent on approximately 125 full-time equivalent employees from other government agencies.¹⁷⁵

The Netherlands CPB is the only other IFI that produces costings of the election platforms of political parties, with the first such report produced over 30 years ago.¹⁷⁶

- The production of the report begins around nine months before an election (through the preparation of confidential costings with multiple options and clarification discussions between the CPB and parties).
- The Netherlands election platform evaluation report is published one month before an election (compared with one month after the election in Australia), and is undertaken at the request of parties (whereas participation is compulsory in Australia for parliamentary parties).

¹⁷⁴ Office of the Parliamentary Budget Officer (2016).

¹⁷⁵ Page (2014), p 10.

¹⁷⁶ Non-government organisations have attempted to fill this void in the United Kingdom and the United States. Since 1997, the Institute for Fiscal Studies has published an analysis of the policy manifesto of the main political parties in the United Kingdom. The Committee for a Responsible Federal Budget undertook a fiscal fact-check project that analysed the fiscal impact of the policy proposals of the 2016 Presidential candidates in the United States.

The CPB's report on evaluating election platforms has expanded over time, reflecting a broadening of scope (with more recent reports containing more detailed policy proposals and budgetary impacts), and an increase in the number of political parties requesting evaluations (increasing from three in 1986 to nine in 2010).

- The most recent review of the Netherlands CPB by an external audit committee (appointed by the CPB's independent advisory committee) expressed concern that the expansion of the election platform report had not been matched with an increase in resources, and recommended a reduction in the level of detail of future election platform reports.¹⁷⁷

Assessing fiscal sustainability is a key function of most IFIs, including the Australian PBO, but degrees of effort vary. Most comparable IFIs produce more material on fiscal sustainability than the Australian PBO, such as regular fiscal sustainability reports produced by the UK OBR and annual long-term (30-year) projections produced by the United States CBO. While the Australian PBO has published several self-initiated reports focusing on areas of fiscal sustainability, it does not have a longer term focus in this area, does not have a particular fiscal sustainability document, and devotes a substantially lower proportion of its resources to these analyses than other IFIs.

Unlike most IFIs, which have a role in either preparing or assessing macroeconomic and/or fiscal projections, the Australian PBO's legislation explicitly prevents it from producing independent economic or fiscal forecasts.

A common element across these IFIs is regular external review of performance, consistent with the importance of accountability of an independent agency. The Australian PBO's media strategy is broadly consistent with that of most IFIs, with the focus on providing and explaining factual material to help inform policy debates, rather than actively participating in public debates.

Timely access to relevant data from government agencies is critical to the success of IFIs, particularly in relation to policy costings. International experience suggests that the formal ability to obtain information is less important than having a good working relationship between the IFI and government agencies, with ongoing communication and a clear understanding on how information can, and cannot, be

¹⁷⁷ Central Planning Bureau Audit Committee (2016).

used by the IFI. While the Australian PBO does not generally have legislated access to information, in practice nearly all information requested has been provided by Government Departments and Agencies.

Lessons from international experience: key risks

Experience from other countries suggests that there are a number of actions that can be taken to abolish, or significantly reduce, the effectiveness of an IFI.

Perceptions of partisanship

Experience to date suggests that the biggest risk to an institution like the Australian PBO is it being perceived – rightly or wrongly – as a partisan participant in the politics of the country.

This risk is particularly high in the early stages in the life of an organisation when it could be regarded as an initiative of one side of politics. This risk is also apparent when an IFI has not had the opportunity to build a reputation for objective, independent analysis. In the US, for example, the CBO was established by a Democrat Congress and was initially viewed with a high degree of suspicion by many Republican members of Congress. By contrast, the long history of the CPB in the Netherlands in producing high-quality analysis was an important element in it being trusted with the role of analysing the election platforms of parties.

The risk of perceived partisanship is also higher where the analysis produced by the organisation is in direct conflict with that produced by a political party (in particular, the party in Government). For example, some of the first pieces of analysis produced by Canada's PBO highlighted sharp differences with Government estimates of contentious policy issues. Early pieces of analysis by the (Democrat-established) CBO contradicted estimates by administration of the (Republican) President.

Additionally, in Australia, if one party remains in government for a long period, it could make it increasingly difficult for the PBO to maintain a perception of non-partisanship as it continues to provide the same non-government parties and parliamentarians with its analysis.

Access to information

Access to information is the lifeblood of the PBO. The effectiveness of a number of similar organisations globally has been constrained by limited access to information. For example, Canada, despite having stronger legal access provisions than Australia, has struggled to obtain information from Government Departments and Agencies.

Agency head

Independent institutions like the PBO are particularly reliant on the perceived independence of the agency head. There are several examples where governments have sought to substantially influence an IFI by the appointment of 'friendly', partisan figures to senior leadership roles. For example, in Hungary two of the three members of the Fiscal Council are closely aligned with the new Government.¹⁷⁸ In the US, when control of both the House and the Senate switched parties, there have been efforts to place someone at the head of the CBO who has a more favourable view of that party's policies.

Resources

Another way to reduce the effectiveness of an IFI would be to reduce its level of resources. Examples of this include the removal of the entire funding for technical staff of Hungary's Fiscal Council, and a threat to reduce Canada's PBO resources by one-third from planned levels.

Change in mandate

The success of IFIs can bring its own risks, with strong demand for routine requests from parliamentarians crowding out other, mandated analysis, including broader analysis on budget transparency and fiscal sustainability. Similarly, there is a risk of mission creep (both internally-generated and externally-imposed), as the mandate of the organisation is expanded. The Netherlands CPB, for example, has publicly announced that it is reducing the breadth of its pre-election analysis of platforms of political parties in order to preserve the quality of its analysis.

One risk to an IFI would be if it was required to carry out additional functions without being provided with a commensurate increase in resources. This risk is likely to be relatively low in Australia, as a change in the PBO's mandate would require legislative change, which in turn would bring scrutiny to the resources question.

¹⁷⁸ Kopits and Romhányi (2013).

Institutional autonomy

It can be very difficult for an IFI to effectively perform its role as an IFI when it does not have operational autonomy. For example, in Canada, the Parliamentary Budget Officer serves at the pleasure of the government of the day and has not had operational autonomy in human resources and IT issues. However, these issues have not proved to be of concern in Australia, with strong legislative protection for the independence of the PBO.

Abolition

Finally, an IFI could be abolished by amending the enabling legislation. However to date only one IFI has been abolished outright.¹⁷⁹

¹⁷⁹ In Venezuela, the Congressional Budget Office was abolished by President Chávez (see Kopits (2011)).

Table A1: OECD principles for IFIs

Local ownership	<ol style="list-style-type: none"> 1. Broad national ownership 2. Local needs and local institutional environment to determine role and structure
Independence and non-partisanship	<ol style="list-style-type: none"> 3. Non-partisanship and independence are pre-requisites 4. Leadership of IFI should be selected on basis of merit and technical competence 5. Term lengths and number of terms should be clearly specified 6. Position of head of IFI should be remunerated and preferably full-time 7. Leadership of IFI should have freedom to hire and dismiss staff 8. Staff should be selected through open competition on merit and technical competence
Mandate	<ol style="list-style-type: none"> 9. Mandate should be clearly defined in legislation 10. IFI should have scope to produce reports and analysis of own initiative 11. Clear links to the budget process should be established (Typical tasks include economic and fiscal projections, baseline projections, analysis of executive's budget proposals, monitoring compliance with fiscal rules or targets, costing of major legislative proposals, analytical studies on selected issues.)
Resources	<ol style="list-style-type: none"> 12. Resources must be commensurate with mandate
Relationship with legislature	<ol style="list-style-type: none"> 13. IFI should be accountable to the legislature 14. Role of the IFI with regard to parliament's budget committee, other committees and individual members in terms of requests for analysis should be clearly established in legislation
Access to information	<ol style="list-style-type: none"> 15. Guarantee in legislation that IFI has full access to all relevant information in a timely manner 16. Any restrictions on access to government information should be clearly defined in legislation
Transparency	<ol style="list-style-type: none"> 17. A duty to act as transparently as possible 18. IFI reports and analysis should be published and freely available 19. Release dates of major reports and analysis should be formally established 20. IFIs should release reports and analysis in their own name
Communications	<ol style="list-style-type: none"> 21. IFIs should develop effective communication channels, with media, civil society and other stakeholders
External evaluation	<ol style="list-style-type: none"> 22. IFIs should develop a mechanism for external evaluation of their work

Source: Von Trapp, Lienert and Wehner (2016)

Table A2: Institutional frameworks – PBO and comparator IFIs

Australia	Parliamentary Budget Office
Established	2012
Staff	40 (increasing to around 50 during election period)
Institutional	<ul style="list-style-type: none"> • Independent public sector agency (one of four parliamentary departments supporting the work of Parliament). • Parliamentary Budget Officer appointed by Presiding Officers (the President of the Senate and the Speaker of the House of Representatives), with approval from Joint Committee of Public Accounts and Audit (JCPAA). <ul style="list-style-type: none"> – Term of office is 4 years; appointment is no longer than 8 years in total. – Removal from office if he/she becomes insolvent; or on grounds of misbehaviour or physical or mental incapacity (following address in both Houses of Parliament, in same session of Parliament) • Budget appropriation set annually by Government, approved by Parliament, reviewed by JCPAA.
Mandate	<ul style="list-style-type: none"> • Policy costings and budget analysis on request for parliamentarians. • Post-election report on election commitments. • Self-initiated research reports on budget and fiscal sustainability. • Submissions on request from parliamentary committees. <p>Legislation requires Parliamentary Budget Officer to use economic forecasts and parameters and fiscal estimates contained in most recent relevant reports released under <i>Charter of Budget Honesty Act 1998</i> (by the Treasurer).</p>
Media	<ul style="list-style-type: none"> • Direct engagement with media confined to Parliamentary Budget Officer. • Reports and speeches/presentations published on website.
Access to information	Access to budget information through non-legally binding Memorandum of Understanding (MOU) between Parliamentary Budget Officer and Heads of Commonwealth Bodies.

Canada	Parliamentary Budget Office
Established	2006
Staff	17
Institutional	<ul style="list-style-type: none"> • Part of an independent public sector agency (the Parliamentary Library). • Governor in Council may select the Parliamentary Budget Officer (an officer of the Library of Parliament) from three names submitted (in confidence) through the Leader of the Government in the House of Commons, by a committee formed and chaired by Parliamentary Librarian. • Reports to Speakers of the Senate and the House of Commons but administratively accountable to the Parliamentary Librarian. • Holds office 'at pleasure' of the Prime Minister with a once-renewable term of not more than 5 years. This means he/she can be dismissed without cause. • Budget allocated to the Parliamentary Budget Officer falls within the Library of Parliament's total budget, set annually by Parliament.
Mandate	<ul style="list-style-type: none"> • Analysis on the state of the nation's finances. • Analysis of the government's spending plans. • Analysis of trends in the Canadian economy. • Policy costings on request for parliamentarians (limited to material projects and/or if project contributes to increasing budget transparency). • Research into the nation's finances and economy as requested by specified Committees. <p>Proposals to change mandate currently before Parliament include:</p> <ul style="list-style-type: none"> • Establishing PBO as an independent Officer of Parliament (separate from Library). • Expanding its mandate to include: <ul style="list-style-type: none"> – costings requested by parliamentarians and – costing of election platform proposals at request of political parties. • Increased access to relevant information held by departments and Crown corporations.
Media	<p>Active media role with the Parliamentary Budget Officer and Assistant Parliamentary Budget Officer acting as official spokespeople.</p> <p>Reports published on website.</p>
Access to information	Legislated access to budget information.

Netherlands	Central Planning Bureau
Established	1945
Staff	115 research staff plus executive and technical support
Institutional	<ul style="list-style-type: none"> • Formally part of Ministry of Economic Affairs, but a long tradition of operating independently. • Legislation protects against CPB being given directions (but Cabinet gives opinion on draft work programme). • Director appointed by Council of Ministers for term of 7 years. • Largely publically funded (integral part of the budget of the Ministry of Economic Affairs). Maximum 20% of annual budget may originate from external assignments (ministries, EU and others). • Periodic reviews: <ul style="list-style-type: none"> – own independent advisory committee (from academia and business), meets at least twice a year (to discuss output and organisation) – output for policymakers assessed every 5 years by committee of policymakers and independent experts established by the independent advisory committee – academic review every 5 years by group of international and independent experts who are invited by CPB.
Mandate	<ul style="list-style-type: none"> • Short and medium-term economic and fiscal projections, long-run sustainability analysis. • Policy analysis for ministries, parliamentarians, political parties. • Research. • Ex-ante cost-benefit analysis and ex-post evaluations. • Costing of election manifestos (since 1986, at request of political party) published before election.
Media	Focused on informing public of its objective analysis.
Access to information	Access to confidential information.

United Kingdom	Office for Budget Responsibility
Established	2010
Staff	27 plus 3 executive
Institutional	<ul style="list-style-type: none"> • Non-departmental public body (part of the Treasury Group). • The OBR is led by the three members of the Budget Responsibility Committee (BRC). They have executive responsibility for the core functions of the OBR, including the judgements reached in its forecasts. • The Chair of the BRC is appointed for a once-renewable term of 5 years, while non-executive members are appointed for once-renewable terms of 3 years. Appointments are by the Chancellor of the Exchequer with the consent of the Treasury Committee of the House of Commons. • Chancellor can terminate appointment if member absent without permission for more than 3 months, becomes bankrupt, due to misconduct, or otherwise unable, unfit or unwilling to carry out functions. • OBR accountable to Parliament and to the Chancellor. • Multi-annual funding commitment from HM Treasury. • Non-executive Committee must appoint person or body to review and report on OBR at least once every 5 years.
Mandate	<ul style="list-style-type: none"> • Economic and fiscal forecasting. • Evaluating performance against targets. • Fiscal sustainability and balance sheet analysis. • Evaluation of fiscal risks. • Review of Government's costing of tax and welfare spending measures.
Media	<p>Media profile focused on informing public of the OBR's objective analysis.</p> <p>Reports published on website.</p>
Access to information	<ul style="list-style-type: none"> • MOU with government agencies sets out agreed working relationships. • Access to budget information through non-legally binding MOU. • Macroeconomic forecasting model jointly developed and maintained with HM Treasury.

United States	Congressional Budget Office
Established	1974
Staff	235
Institutional	<ul style="list-style-type: none"> • Federal agency within legislative branch of United States government. • Director appointed by Speaker of the House of Representatives and the president pro tempore of the Senate on recommendation from two Budget Committees. • Term of office is 4 years; may be reappointed (no limit on number of terms). Either House of Congress may remove Director by resolution. • Legislation authorizes appropriation of funds each fiscal year 'as may be necessary to enable it to carry out its duties and functions.'
Mandate	<ul style="list-style-type: none"> • Annual (plus mid-year update) baseline economic and fiscal forecasts and projections, including long-term (30 year) budget projections and annual re-estimation of the President's budget. • Costings ('scoring') of virtually all legislative proposals. • Monthly budget review. • Analytical reports at request of Chairman or Ranking Member of committee or subcommittee or at request of leadership of either party in the House or Senate. • Staff working papers on related fiscal issues. • Information notes to enhance budget transparency.
Media	<ul style="list-style-type: none"> • Active media role with dedicated Office of Communications. • Staff members write post on the blog, with their names identified. • Reports, presentations/speeches published on website.
Access to information	Legislated access to budget information.

Table A3: The terms of reference - characteristics of the PBO and comparator IFIs

IFI	Level playing field for costings	Accuracy of costings	Transparency and public understanding
Australia: Parliamentary Budget Office	<ul style="list-style-type: none"> • Provides non-Government parties with costings of the same or similar quality as provided to Government and published by the Government in the ‘Measures Descriptions’ in the budget papers. • Prepares costings for all sides of politics. • Provides costing service for individual members of parliament. • Post-election Report requires PBO to evaluate cost of election commitments of all parties. • PBO costing response documents are more detailed than those published by the Government in the ‘Measures Descriptions’, and include comments on the reliability of the estimates and a reliability (uncertainty) rating. • PBO does the majority of caretaker costings. • Non-caretaker period costings confidential unless requestor says otherwise. 	<ul style="list-style-type: none"> • Obtains most data and models it requests from Government Departments and Agencies. • Formal and informal discussions with Departments and Agencies on modelling and data issues. • Costings prepared in line with Charter of Budget Honesty Policy Costing Guidelines. • Distributional impacts undertaken on request. • Under the <i>Parliamentary Service Act 1999</i>, the JCPAA is allowed to request an independent review of the operations of the PBO to be completed within 9 months after a general election. • External expert referee input into research reports. 	<ul style="list-style-type: none"> • Self-initiated reports focus on fiscal sustainability and highlighting areas of the budget that are not easily understood. • Chart packs produced following Budget and MYEFO showing the financial impact of policy decisions and other factors. • Projected impact of unlegislated measures (measures from 2014-15 Budget and subsequent updates that have not passed or require legislation that has not been passed by the announced start date) carried forward in budget estimates and projections. • Submissions/evidence to parliamentary committees on request. • Parliamentary Budget Officer speeches and presentations published. • All reports (except confidential costings) published and distributed to parliamentarians, some journalists, Government Departments and Agencies, academics and think tanks. • PBO Twitter account alerts followers to PBO publications.

IFI	Level playing field for costings	Accuracy of costings	Transparency and public understanding
Canada: Parliamentary Budget Office	<ul style="list-style-type: none"> • Required to respond to requests for estimates of ‘the financial cost of any proposal that relates to a matter over which Parliament has jurisdiction’. • All costings published but PBO will not identify requestor if confidentiality requested. • In practice relatively few costing proposals have been received (13 published in 2016) with nearly all analysis relating to Government proposals. • All information requests sent to government agencies and their responses (but not detailed data) are published on website. 	<ul style="list-style-type: none"> • The Canadian PBO has legislated right of access to data necessary for the performance of its mandate. However in practice it has had difficulty obtaining information in a number of instances, noting that ‘[m]any of our projects are delayed or limited because of challenges accessing government information required for the performance of our mandate’. • External peers to review work. Names of peer review experts included in the paper. • Participate in International Cost Estimating and Analysis Association. • Use networks from the international IFI community to help gather data points for costings. 	<ul style="list-style-type: none"> • Analysis and commentary on the Government’s budget, including: • Research and analysis of Government Estimates. • Fiscal sustainability: annual report (federal, provincial, territorial). • Quarterly reviews of federal program spending. • Bi-annual economic and fiscal outlook. • Ready Reckoner (online tool). • Online tax tool calculator. • Other work, including: • Bi-annual economic and fiscal outlook • Policy costings • Submissions to parliament and appear before committees. • Canadian PBO actively promotes its work, including through: • Briefing for media held on day of release of reports, after briefing for parliamentarians. • Parliamentary Budget Officer and Assistant Parliamentary Budget Officer are official spokespeople for PBO. • Twitter. • Blog – promote and disseminate reports, related data, testimony and presentations made by Parliamentary Budget Officer and staff.

IFI	Level playing field for costings	Accuracy of costings	Transparency and public understanding
The Netherlands: Central Planning Bureau	<ul style="list-style-type: none"> • Consolidated pre-election platform costing (impact over 4 years) published one month before election for all parties (on a voluntary basis). Analysis assumes that the given party has majority in Parliament (most governments are coalitions). • Includes effects on macroeconomic variables, purchasing power, government balance and debt in the medium term; and effects on sustainability of public finances, structural employment and income inequality in the long run. • Latest edition (456 pages) took 3 months to produce with 60 people, evaluated 2,468 measures across 10 parties. • Costing of proposals post-election as part of negotiations for new government. 	<ul style="list-style-type: none"> • Evaluation of effects of policy measures already implemented. • Independent advisory committee (CPC). Members from academia and business. Advise on CPB output and organisation. • CPB output for policy makers assessed every 5 years (by committee of policymakers and independent experts). • Academic review every 5 years (by international and independent experts). 	<ul style="list-style-type: none"> • Quarterly short-term forecasting: annual Central Economic Plan (CEP); annual Macro Economic Outlook (MEV); short updates for both. • Medium term forecast (4-year) published at start of election cycle. Baseline updated on basis of Coalition Agreement after the election. • Extensive use of pre-election platform costing by parties and media. • Communications publication – published answers to questions from parties, politicians, ministries, trade-unions, employers’ federations. • Research carried out on CPB’s own initiative or at request of government, parliament, national trade unions or employers’ federations: • Policy briefs (15 page max). • Discussion papers (aimed at publication in journals). • Submissions to parliament and appear before committees. • Undertakes research for European Commission. • Formal academic partners (prominent researchers, one-year appointment).

IFI	Level playing field for costings	Accuracy of costings	Transparency and public understanding
United Kingdom: Office for Budget Responsibility	<ul style="list-style-type: none"> • OBR has a role in reviewing and certifying Government policy costings. It has no role in relation to policy costings of non-Government parties. • The OBR states whether or not it endorses the Treasury costing and gives each costing an uncertainty rating (derived from the PBO reliability rating process). • If OBR disagrees with Treasury costing, they will use OBR costing in their forecast and explain differences. 	<ul style="list-style-type: none"> • MOU between OBR and HM Revenue and Customs, Department for Work and Pensions, HM Treasury provides access to all information and analysis relating to forecasting models. • Uses large-scale macroeconomic model, jointly maintained and developed by OBR and HM Treasury. • OBR produces macroeconomic forecasts which are sent to government agencies to produce forecasts of receipts and expenditure in an iterative process. • External review undertaken (April 2014) advised caution about considering the expansion of the OBR's mandate, such as into costing certification of opposition manifestos. • HM Treasury review of OBR (June 2015) concluded that the OBR has made substantive progress in improving the credibility of the UK's fiscal framework and the default assumption should remain that the government uses the OBR's forecasts as official forecasts. • Annual forecast evaluation report (FER) by Budget Responsibility Committee. • Advisory Panel advise on work programme and analytical methods. • Engagement with international community of IFIs. 	<ul style="list-style-type: none"> • OBR produces 5-year forecasts for the economy and public finances twice a year: this is the Economic and Fiscal Outlook (EFO). • An annex to EFO sets out whether the OBR certifies each government costing of the government's policy measures and the uncertainty rating the OBR has assigned to each certified costing. • Includes an assessment of the extent to which the government's fiscal targets have been, or are likely to be, achieved. • Fiscal sustainability report produced every 2 years (from 2016). • From 2017, fiscal risks report (FRR) produced every 2 years. • Annual welfare trends report (WTR). • OBR produces a range of other reports, including briefing material, advice to committees, and working papers to inform discussion of forecasts. • No formal relationship with Bank of England but meet regularly to discuss forecasting issues. • Submissions to parliament and appear before committees.

IFI	Level playing field for costings	Accuracy of costings	Transparency and public understanding
United States: Congressional Budget Office	<ul style="list-style-type: none"> • Formal, written estimates of bills approved by Congressional committees to show how the bill would affect spending or revenue over the next 5 or 10 years. • Costings include expected impact on local, state and federal governments and on private sector. • Established process for prioritising requests (based on advice from representative of Committee). • Some regular costings. • Informal costings and information produced to assist in the development of legislation are kept confidential as long as proposals not made public (public when introduced legislation or public discussion of major elements). • Emphasis on presenting work ‘as clearly and non-technically as possible’. • Annual re-estimation of President’s budget using CBO economic forecast and estimating methods (to 10 years). • CBO staff work with requestors to understand nature of work that would be most useful to the Congress. • CBO analysts spend time meeting interested Members of Congress and staff to explain details underlying cost estimates and reports. 	<ul style="list-style-type: none"> • Rigorous internal review process for objectivity, analytical soundness and clarity. CBO scrutinises errors in its projections, reviews data on spending patterns for federal programs and consults with external experts to improve its estimating methodologies. • For most tax legislation, CBO uses estimates provided by the Joint Committee on Taxation. • Information for economic forecasts is obtained from ongoing analysis, commercial forecasting services, and consultations with economists within and outside federal government. • Goal is to communicate clearly the basis for estimates and the uncertainty surrounding them, sometimes including sensitivity analysis in reports. • Revised budget projections include explanation of changes. • Reports have input from experts on Panel of Economic Advisers and Panel of Health Advisers. • Include behavioural responses in costings and reports but confine dynamic scoring to ‘major’ legislation approved by committees (with projected impact of at least 0.25% Gross Domestic Product (GDP) in any year over next 10 years). 	<ul style="list-style-type: none"> • Fiscal sustainability: regular 10-year and annual long-term budget projections. • All formal cost estimates and analytic reports available on website after delivery to key interested parties. • Extensive range of analytic publications (examining particular federal spending programs, aspects of the tax code, budgetary and economic challenges), but no policy recommendations. • Some reports provide background information about CBO’s other analyses to enhance transparency. • Most CBO reports written at request of representative of committee or party. • Publish data and technical information for some reports. • Extensive engagement, including blog; CBO Twitter account; RSS feeds; YouTube Channel; and Press Centre. • External expert referee input into research reports. Analytic reports reviewed by external experts. • Presentations to academic and professional groups. • Staff supplemented with visiting scholars and summer interns. • Submissions to parliament and appear before committees.

Appendix B – Previous inquiries into the Parliamentary Budget Office

There have been three previous inquiries into the PBO presented to the Parliament:¹⁸⁰

- Joint Select Committee on the Parliamentary Budget Office (JSC): Inquiry into the proposed Parliamentary Budget Office (2011)¹⁸¹ (JSC Report)
- Australian National Audit Office (ANAO): The Administration of the Parliamentary Budget Office (2014)¹⁸² (ANAO Report)
- Joint Committee of Public Accounts and Audit (JCPAA): Review of the Operations of the Parliamentary Budget Office (2014)¹⁸³ (JCPAA Report).

This appendix summarizes the background, terms of reference, evidence and submissions, and key findings and recommendations of these inquiries.

JSC Report: inquiry into the proposed Parliamentary Budget Office

Background to the inquiry

Following the 2010 federal election, a commitment to establish a Parliamentary Budget Office (PBO) formed part of the minority government agreements signed by the Australian Labor Party with the Australian Greens and three independent Members of Parliament.¹⁸⁴

¹⁸⁰ In 2010 a private senator's bill proposing the establishment of a PBO was referred to the Senate's Finance and Public Administration Legislation Committee. However the inquiry was not able to present a final report, lapsing on the prorogation of the 42nd Parliament. The role of the PBO was also one of the many terms of reference of the Government's 2014 National Commission of Audit (see Section 5). The JCPAA has published several statements on budget estimates for the PBO (on 13 May 2014, 12 May 2015 and 3 May 2016).

¹⁸¹ Joint Select Committee on the Parliamentary Budget Office (2011).

¹⁸² Australian National Audit Office (2014).

¹⁸³ Joint Committee of Public Accounts and Audit (2014a).

¹⁸⁴ See Joint Select Committee on the Parliamentary Budget Office (2011), p 2.

This was subsequently included in the *2010 Agreement for a Better Parliament* negotiated between the political parties and independent members of parliament.¹⁸⁵ The agreement also provided that the 'structure, resourcing and protocols' for the proposed PBO would be reviewed by a special committee of the parliament 'which is truly representative of the Parliament' (the Joint Select Committee on the Parliamentary Budget Office).¹⁸⁶

Terms of reference

The terms of reference for the JSC inquiry included:

- the appropriate mandate for the PBO
- the nature of information needed to assist the Parliament to consider matters related to the Budget
- the role and adequacy of current institutions and processes in providing this information
- the scope for the PBO to fulfil its mandate in a cost-effective manner, and
- the most appropriate structure, resourcing and protocols for a PBO.

Evidence and submissions

The Inquiry received evidence and submissions from a broad range of institutions, including the Organisation for Economic Co-operation and Development (OECD), the Canadian Parliamentary Budget Office, the Australian National Audit Office, business groups, parliamentary departments and a joint submission from the Departments of the Treasury and Finance and De regulation.

The key issues of contention were whether the PBO would:

- have statutory access to information of Government Departments and Agencies
- be empowered to prepare caretaker costings, and
- be required to use official economic and budget forecasts (or prepare their own).

¹⁸⁵ Australian Government (2010).

¹⁸⁶ Australian Government (2010), Annex A, p 8.

The JSC acknowledged that there was no one fixed model for the PBO to follow, as PBO-like organisations were ‘products of the historical and institutional frameworks of the parliaments they serve’.¹⁸⁷ The JSC noted that there was no independent body in Australia that specialised in providing high quality research and analysis on fiscal policy for the Parliament.

- A key rationale for the formation of the PBO was to level the playing field by reducing the inherent advantage of incumbency.

The joint submission of the Departments of the Treasury and Finance and Deregulation stressed, among other things, the level of resources involved in undertaking economic and fiscal modelling, and the importance of avoiding duplication of effort where possible.¹⁸⁸ The joint submission stated that:

- forecasting the economic outlook involved considerable resources across the Australian Public Service, including forming part of the duties of around 30 Treasury officers¹⁸⁹
- policy costings during the 2010 election period involved the work of about 300 staff who work in costing-related areas in the departments,¹⁹⁰ with 128 costings prepared during the caretaker period, and an additional 248 proposals costed after the election.¹⁹¹
 - the Departments of the Treasury and Finance and Deregulation considered that for the PBO to be able to respond to these costing requests in a timely manner it would require similar staffing levels.

In evidence to the committee, the Department of Finance and Deregulation questioned whether PBO costings would have ‘the same level of rigour, experience and judgment’ as those prepared by the Departments of the Treasury and Finance and Deregulation.¹⁹²

¹⁸⁷ Joint Select Committee on the Parliamentary Budget Office (2011), p 8.

¹⁸⁸ The Treasury and the Department of Finance and Deregulation (2011), p 5.

¹⁸⁹ The Treasury and the Department of Finance and Deregulation (2011), p 5.

¹⁹⁰ This comprises around 50 staff in The Treasury’s Tax Analysis Division and around 250 in the Department of Finance and Deregulation’s Budget Group. This figure did not include an estimate of the number of staff involved in policy costings in other Departments and Agencies.

¹⁹¹ The Treasury and the Department of Finance and Deregulation (2011), pp 10 and 32.

¹⁹² Australia, Joint Select Committee of the Parliamentary Budget Office (2011), p 67.

Key findings and recommendations

The JSC noted that a particular challenge for the PBO in undertaking policy costings would be the significant workload and resourcing required to fulfil this function. The JSC expressed concern that, primarily due to the disparity in costing resources, PBO costings ‘may in some cases lack the rigour’¹⁹³ and ‘may not have the same status’¹⁹⁴ as those produced by the Departments of Treasury and Finance and Deregulation. The JSC acknowledged that this presented the risk 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 during the election period’.¹⁹⁵

The JSC recognised that the resources required to produce rigorous costings is significant and would be costly to reproduce by the PBO. Nevertheless, it concluded that

[w]hile 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.¹⁹⁶

The JSC stressed the importance of the PBO in providing independent, non-partisan and policy neutral analysis on the budget, fiscal policy and the financial implications of proposals. It recommended that the PBO have four main functions:

- respond to requests for costings and budget analysis of parliamentarians.
- formally contribute to parliamentary committee inquiries
- publish self-initiated work, and
- prepare costings of election commitments during the caretaker period.

¹⁹³ Paragraph 3.115, Joint Select Committee on the Parliamentary Budget Office (2011), p 48.

¹⁹⁴ Paragraph 3.73, Joint Select Committee on the Parliamentary Budget Office (2011), p 40.

¹⁹⁵ Paragraph 3.74, Joint Select Committee on the Parliamentary Budget Office (2011), pp 40-41.

¹⁹⁶ Paragraph 2.75, Joint Select Committee on the Parliamentary Budget Office (2011), p 22.

The PBO's legislation as enacted reflected the recommendations of the JSC.

- The JSC recommended that the PBO be able to access information free of charge under the *Freedom of Information Act 1982* (FOI Act) when not able to obtain information under the proposed Memorandum of Understanding (MOU) with government Departments and Agencies.¹⁹⁷ The Government instead proposed that this be covered through the MOU, with the agreement providing that, at a minimum, the PBO would be provided information that would be released under the FOI Act.
- The JSC also noted 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”.¹⁹⁸ While the legislation as enacted allows this, it has not been utilised.
- The JSC recommended that the JCPAA explicitly review the adequacy of additional funding provided for election years.¹⁹⁹

ANAO Report: the administration of the Parliamentary Budget Office

Background to the inquiry

In November 2013, the ANAO formally commenced a performance audit into the administration of the PBO. In December 2013, the Chair of the JCPAA advised the PBO that, in the light of this performance audit (and the deliberations of the Commission of Audit), the JCPAA would not request an additional review into the PBO's operations (as provided by under section 64T of the *Parliamentary Service Act 1999*).²⁰⁰

¹⁹⁷ Recommendation 14, Joint Select Committee on the Parliamentary Budget Office (2011), p xvii.

¹⁹⁸ Recommendation 18, Joint Select Committee on the Parliamentary Budget Office (2011), p xviii.

¹⁹⁹ Recommendation 27, Joint Select Committee on the Parliamentary Budget Office (2011), p xx. The JCPAA has endorsed statements on the draft budget estimates for the PBO, including those noting the election supplementation (see statement from 12 May 2015).

²⁰⁰ Parliamentary Budget Office (2014a), p 6.

Terms of reference

The objective of the ANAO's performance audit was to assess the effectiveness of the PBO from its establishment in July 2012 to the publication of the 2013 Post-election Report on election commitments. The PBO's performance was assessed against the following criteria:

- the establishment of effective governance and administrative arrangements to support the delivery of services to the Parliament
- the establishment of sound and timely processes, facilitating the conduct of the PBO's key functions within and outside of the caretaker period, and
- monitoring, reviewing and reporting of performance.²⁰¹

Evidence and submissions

In addition to reviewing PBO documentation and a sample of costings, the ANAO held interviews with a wide range of stakeholders, including the PBO, Commonwealth Departments and Agencies that provide information to the PBO, representatives of parliamentary parties and independent Members of Parliament and a selection of peer group stakeholders.²⁰²

To assess the use of the PBO's services, the ANAO analysed the number of requests by category of parliamentarians from September 2012 to the end of the caretaker period in October 2013.²⁰³ This analysis showed that there was a broad uptake of the PBO's services by the Coalition (then in Opposition) and the Australian Greens in the lead up to the election.

While stakeholders generally acknowledged that the PBO had gone a long way to levelling the playing field, some noted that,

as the government of the day has access to the public service, a totally level playing field may never be possible and that there is an inherent privilege of being in government.²⁰⁴

²⁰¹ Australian National Audit Office (2014), p 44.

²⁰² Australian National Audit Office (2014), p 45.

²⁰³ Australian National Audit Office (2014), p 87.

²⁰⁴ Australian National Audit Office (2014), p 88.

The ANAO also assessed changes in the caretaker costing workload between elections, analysing the number of caretaker costings prepared by the Departments of the Treasury and Finance for the 2007 and 2010 elections and the PBO, and Treasury and Finance for the 2013 election. While the total number of costings prepared during the caretaker periods for the past three elections remained fairly similar, with the advent of the PBO, the distribution of the workload for costings was now spread among the PBO and Treasury and Finance. The Government of the day tended to request costings from Treasury and Finance, while the Opposition and other non-government parties and parliamentarians tended to request costings from the PBO.

- The ANAO also highlighted that no Opposition costing requests were made to the PBO or the Departments of the Treasury and Finance during the caretaker period for the 2013 election.²⁰⁵

Key findings and recommendations

The ANAO found that:

Since commencing operation in July 2012, the PBO has effectively undertaken its statutory role and is already well regarded as an authoritative, trusted and independent source of budgetary and fiscal policy analysis. The PBO has made a significant contribution to levelling the playing field for all parliamentarians.²⁰⁶

The ANAO noted that overall the PBO had received good co-operation from the Departments of the Treasury and Finance and other Commonwealth Departments and Agencies.

The only recommendation of the review related to the inclusion of administrative expenses in all costings, where significant. (The PBO had not generally included estimates of administrative expenses in instances where the total amount to be spent was capped.) This was agreed to by the PBO.²⁰⁷

²⁰⁵ As the Opposition's policies had previously been costed by the PBO in the lead up to the election, it was able to resubmit 161 costings to be updated in the period between the release of the Government's Economic Statement and the commencement of the caretaker period (Australian National Audit Office (2014), p 89).

²⁰⁶ Australian National Audit Office (2014), p 18.

²⁰⁷ Australian National Audit Office (2014), p 30.

The ANAO also identified a limited number of administrative improvements for the PBO to consider, including providing sufficient context in relation to information requests to enable Departments and Agencies to provide the most appropriate information in response.²⁰⁸

Two issues of a policy nature were also highlighted by the ANAO for consideration:

- the PBO's lack of statutory information access powers was inconsistent with the OECD's principles for Independent Fiscal Institutions (IFIs) and presented an inherent risk that access to information could be constrained in the future, and
- the recommendation of the Government's National Commission of Audit that the PBO report Government progress against a new set of fiscal rules,²⁰⁹ would be consistent with key features of effective IFIs identified by the International Monetary Fund (IMF) and with the functions performed by the majority of OECD IFIs.²¹⁰

JCPAA Report: review of the operations of the Parliamentary Budget Office

Background to the inquiry

Under the *Parliamentary Service Act 1999*, the JCPAA has an oversight role in relation to the PBO, including the duty to consider the operations and resources of the PBO, and report to the Parliament on any matters arising from that consideration, or on any other matters relating to the PBO's functions or powers.²¹¹

Terms of reference

The purpose of the JCPAA inquiry was to review the framework and operations of the PBO and consider recommendations of the ANAO, and the National Commission of Audit and international principles of best practice.

²⁰⁸ Australian National Audit Office (2014), p 27.

²⁰⁹ National Commission of Audit (2014), p xxxii.

²¹⁰ Australian National Audit Office (2014), p 28.

²¹¹ *Parliamentary Service Act 1999*, s. 64S.

The terms of reference for the inquiry were to report on the operations of the PBO, with specific regard to:

- PBO statutory information gathering powers and access to information, including the Contingency Reserve
- PBO reporting of Government progress against a new set of fiscal rules, as recommended by the National Commission of Audit
- PBO reporting against medium-term projections of fiscal outlook beyond the forward estimates
- best practice for IFIs as identified by the IMF
- PBO implementation of the recommendation from the ANAO Report (on the inclusion of administrative expenses, where significant, in policy costings), and
- the need for any legislative change.

Evidence and submissions

The JCPAA received submissions from the PBO, the Australian Greens, the Department of Finance and several academics/think tanks (Grattan Institute, Australian Tax and Transfer Policy Institute, Centre for Policy Development).

The PBO made a comprehensive (67 page) submission to the inquiry, setting out its position on the issues raised in the terms of reference.²¹² Among other things, the PBO noted that:

- while there was a sound argument in favour of the PBO having a legislative right to information, experience to date with the MOU suggested its absence was not having a significant adverse impact on the PBO's operations, and
- the public discussion on fiscal sustainability would be improved by the regular publication of detailed medium-term projections, ideally by the Government in the budget papers.

The Department of Finance submission concentrated on the reasons why it considered that it would not be appropriate to provide the PBO with details of the Contingency Reserve.

²¹² Parliamentary Budget Office (2014a).

Key findings and recommendations

The final report of the inquiry had eight recommendations, covering access to information and the Parliamentary Budget Officer's mandate.

Three of these recommendations have been implemented, either in full or in part.

- **Recommendation No 1:** The committee recommended that the Government ensures that Commonwealth Departments and Agencies meet the timelines in response to a request from the PBO as specified in the MOU.
 - There has been a significant improvement in Department and Agency response times, with the percentage of requests received late falling from 31.9 per cent in 2014-15 to 6.7 per cent in 2015-16.
- **Recommendation No 7:** The committee recommended that the Parliamentary Budget Officer should prepare and publish medium term projections on an annual basis, with consequential amendments to the *Parliamentary Service Act 1999* and additional resources provided by the Government if required.
 - The PBO produced detailed medium-term projections following the 2015-16 Budget, and its 2016-17 work plan states that the PBO plans to publish medium-term projections each year.
 - The Government response to the inquiry considered that consequential amendments were unnecessary and that the PBO was already able to produce this publication from existing resources.
- **Recommendation No 8:** The committee recommended that the *Parliamentary Service Act 1999* be amended to extend the analysis in the Post-election Report beyond the forward estimates period to include, where possible, ten year medium-term projections of the budget impact of the election commitments of the designated parliamentary parties.
 - The 2016 Post-election Report includes the medium-term impact of policy proposals where this is expected to be materially different from the impact over the forward estimates period.
 - The Government response to the inquiry considered that consequential amendments were unnecessary and that the forward estimates period is the most appropriate.

One of the recommendations was not agreed with.

- **Recommendation No 3:** The Government did not accept the committee's recommendation that the PBO be provided with the details of the Contingency Reserve, citing the sensitivity of some information and the potential harm to the Commonwealth's interests, as well as to national security, to exempt this information from release or disclosure.

In relation to the remaining four recommendations on elements of access to information, while the Government supported the position that the Parliamentary Budget Officer is entitled to appropriate and timely access to information, it considered that these concerns could be resolved under the existing MOU. Where sound reasons existed for the non-release of information, the Government supported Department and Agency Heads exercising their discretion in deciding the most appropriate approach.

Appendix C – PBO governance arrangements: legislative framework and administrative agreements

PBO legislative framework – Parliamentary Service Act 1999

The primary legislative provisions covering the PBO are contained in the *Parliamentary Service Act 1999*. This sets out the PBO's:

- mandate
- access to information, and
- independence, accountability and oversight arrangements.

Mandate

The *Parliamentary Service Act 1999* states that the PBO's purpose is to 'inform the Parliament by providing ... independent and non - partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals'.²¹³

Consistent with this purpose, the *Parliamentary Service Act 1999* sets out six PBO functions:²¹⁴

- outside the caretaker period for a general election, to prepare policy costings on request by Senators and Members, with the requests and the PBO's responses to be kept confidential if so directed by the requestor
- during the caretaker period for a general election, to prepare costings of publicly announced policies on request by authorised members of parliamentary parties or independent parliamentarians, with the requests and the PBO's responses to be made public
- to prepare responses (other than policy costings) to requests relating to the budget from Senators and Members, with the requests and the PBO's responses to be kept confidential if so directed by the requestor
- to prepare submissions to inquiries of parliamentary committees, on request by such committees, with the requests and the PBO's responses to be made public

²¹³ *Parliamentary Service Act 1999*, s. 64B.

²¹⁴ *Parliamentary Service Act 1999*, s. 64E(1).

- after a general election, to report on the budget impacts of the election commitments of designated parliamentary parties, and
- to conduct, on their own initiative, research and analysis of the budget and fiscal policy settings, with the results of this work to be made public.

The preparation of either economic forecasts or budget estimates is explicitly excluded from the PBO's functions.²¹⁵ The PBO is required to use the economic forecasts and parameters and fiscal estimates contained in the most recent economic and fiscal outlook as the baseline for preparing its policy costings.²¹⁶

The PBO is also required to prepare its policy costings using approaches and costing conventions set out in the *Charter of Budget Honesty – Policy Costing Guidelines*, issued jointly by the Secretaries to the Treasury and the Department of Finance.²¹⁷ The PBO can only depart from these guidelines in preparing policy costings with the agreement of these Secretaries.²¹⁸

Access to information

The *Parliamentary Service Act 1999* does not generally provide the PBO with a legislative right to obtain information from Commonwealth bodies. The Parliamentary Budget Officer is provided the authority to enter into an agreement with Commonwealth bodies covering the provision of information and documents.²¹⁹ Information provided confidentially under such an agreement is protected from release by the PBO,²²⁰ and is exempt from release under the *Freedom of Information Act 1982*.

²¹⁵ *Parliamentary Service Act 1999*, s. 64E(2).

²¹⁶ *Parliamentary Service Act 1999*, s. 64E(3).

²¹⁷ *Parliamentary Service Act 1999*, s. 64G(2).

²¹⁸ *Parliamentary Service Act 1999*, s. 64G(1).

²¹⁹ *Parliamentary Service Act 1999*, s. 64F.

²²⁰ *Parliamentary Service Act 1999*, s. 64V.

The PBO's legislative powers to obtain information from Commonwealth bodies are stronger during the caretaker period and in relation to the preparation of the Post-election report. During these periods, Government Departments and Agencies are required to comply with the request on a timely basis where it is practicable and lawful to do so and where doing so would not disclose confidential commercial information or prejudice national security.²²¹

The *Taxation Administration Act 1953* allows the Commissioner of Taxation to share de-identified taxation information with the Parliamentary Budget Officer.

Independence, accountability and oversight

The *Parliamentary Service Act 1999* provides the Parliamentary Budget Officer with a high level of statutory independence.

The Parliamentary Budget Officer is appointed by the Presiding Officers, with the approval of the Joint Committee of Public Accounts and Audit (JCPAA).²²² Each term is four years, with the total length of office not exceeding eight years.

The Presiding Officers may only remove the Parliamentary Budget Officer from office if they are requested to do so by both Houses of the Parliament due to misbehaviour or physical or mental incapacity.²²³

The Parliamentary Budget Officer is not subject to direction in relation to the performance of a function.²²⁴

The PBO is an exempt agency in the *Freedom of Information Act 1982*.

A corollary to this high level of independence is the accountability and oversight of the PBO by the Presiding Officers and the JCPAA.

The Parliamentary Budget Officer has a general obligation to keep the Presiding Officers informed of matters relating to the PBO's operation and administration.²²⁵

²²¹ *Parliamentary Service Act 1999*, ss. 64KA and 64MB.

²²² *Parliamentary Service Act 1999*, ss. 64X and 64XA.

²²³ *Parliamentary Service Act 1999*, s. 64XE.

²²⁴ *Parliamentary Service Act 1999*, ss. 64P and 64Q.

²²⁵ *Parliamentary Service Act 1999*, s. 64N.

The Parliamentary Budget Officer is also required to consult the JCPAA on the annual work plan of the PBO and, when requested, to provide draft estimates of the PBO's budget to the JCPAA.²²⁶ The JCPAA reports to Parliament on matters relating to the PBO's operations and resources and, when necessary, its functions and powers.²²⁷ After a general election, the JCPAA may request an independent review of the operations of the PBO.²²⁸

Administrative agreements relating to the PBO

The PBO's legislative framework is supplemented by administrative arrangements relating to the PBO's interaction with Government Departments and Agencies:

- a Memorandum of Understanding (MOU) covering the provision of information, and
- Australian Government protocols on interactions with the PBO.

MOU on the provision of information

The Parliamentary Budget Officer has signed an MOU with the Secretaries of the Departments of Finance and Treasury, with the heads of all other Commonwealth Departments and Agencies electing to be covered by the agreement.

The purpose of the MOU is to facilitate the formation of a collaborative, productive and collegiate working relationship between the PBO and Departments and Agencies by supporting the ready and open exchange of information, documents, knowledge and views.

The MOU is not intended to be a legally binding document, underscoring the intention that the PBO and Departments and Agencies have a cooperative, rather than a formal and legalistic, relationship.

The MOU has a pro-disclosure bias, with Departments and Agencies aiming to provide sufficient relevant information to satisfy each request. At a minimum this would mean providing those documents that would be made available if a formal request was made under the *Freedom of Information Act 1982*.

²²⁶ *Parliamentary Service Act 1999*, ss. 64Q and 64R.

²²⁷ *Parliamentary Service Act 1999*, s. 64S.

²²⁸ *Parliamentary Service Act 1999*, s. 64T.

Where it is not possible to release information, Departments and Agencies would outline the reason for the non- or partial release. This might include commercial or cabinet-in-confidence information, intellectual property rights or the application of other legislative provisions such as the *Privacy Act 1988*.

Australian Government protocols on interactions with the PBO

The MOU is complemented by a statement setting out the protocols to be followed by Commonwealth bodies in their engagement with the PBO.²²⁹ This statement, signed by the Prime Minister, Treasurer and Minister for Finance, is a statement of Government policy to support the PBO in the performance of its functions. In broad terms, the protocols seek to facilitate and promote the ready and open exchange of views and information between Commonwealth bodies and the PBO, and to ensure a high-level of consistency and transparency across government.

The Protocols include procedures to ensure the confidentiality of information provided to the PBO by Commonwealth bodies. Under the Protocols, the normal working relationship between Government Ministers and Departments and Agencies is amended, with Departments and Agencies agreeing not to tell the Government the details of information requested by or provided to the PBO, and Government Ministers and their staff agreeing not to ask for this information.

²²⁹ Australian Government (2014b).

Appendix D – PBO resources

Table D1 (overleaf) provides data on the resources of the PBO for the period 2012-13 to 2020-21.

Table D1: PBO appropriations, expenses and staffing

\$'000	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Annual (ongoing) appropriation	6,191	7,074	7,013	6,921	6,922	6,753	6,753	6,758	6,791
Additional election year appropriation²³⁰		500		489			485		
Drawdown of special appropriation		700		309	1,327	788	762	993	1,121
Special appropriation closing balance	6,000	5,300	5,300	4,991	3,664	2,876	2,114	1,121	-
Total appropriation for year	6,191	8,274	7,013	7,719	8,249	7,541	8,000	7,751	7,912
Staff no. at year-end	33	35	39	48	n/a	n/a	n/a	n/a	n/a
Staff no. average	18	35	37	42	45	40	45	40	40

Source: PBO Annual Reports and information supplied by the PBO

²³⁰ The PBO receives an additional \$0.5 m increase to its ongoing appropriation base every three years, upon creation of that year in the forward estimates (ie when FE3 is created). As such this increase is subject to the effects of indexation and efficiency dividend impacts for three years prior to being available to the PBO in the expected year of the election.

Appendix E – PBO costing and budget analysis requests

Table E1 presents annual data on requests and time to completion for PBO costings and budget analyses, since the PBO’s establishment.

The PBO has received 9,104 costing and budget analysis requests²³¹ since it began its operations in 2012, completing 7,183 requests over this period, with 1,571 requests withdrawn.²³²

Table E1: PBO costing and budget analysis requests

No. requests	2012-13	2013-14	2014-15	2015-16	2016-17 ²³³	Total
Outstanding: start of year	-	463	76	138	20	n/a
Received	1,146	1,297	973	4,146	1,542	9,104
Completed	664	1,522	869	3,251	877	7,183
Withdrawn	19	162	42	1,013	335	1,571
Outstanding: end of year	463	76	138	20	350	n/a
Average time (days)	33.9	13.8	19.7	18.6	11.5	18.3

Source: PBO Annual Report 2014-15, 2015-16, information supplied by PBO

The number of costing and budget analysis requests received by the PBO varies with the electoral cycle, with a substantial increase in the lead up to a general election. The number of costings received in 2015-16 (in the lead up to the 2016 general election) was more than triple that in 2013-14 (in the lead up to the 2013 general election).

²³¹ The PBO presents data on the number of ‘options’ included in the requests it receives; noting that a single request can contain multiple options.

²³² Of the 1,571 requests that have been withdrawn, the vast bulk relate to a large number of requests received ‘on spec’ immediately before the commencement of the caretaker period for the 2013 and 2016 general elections.

²³³ Data for 2016-17 is to 31 December 2016.

This cyclical variation means that to assess the underlying trend level of demand for PBO costings and budget analysis requires comparison of equivalent points in the electoral cycle. When undertaken, the available data is consistent with there being a significant increase in the underlying number of costing and budget analysis requests received by the PBO over time.

For example, in the quarter following the publication of the 2016 Post-election Report (December 2016), the PBO received 755 costing and budget analysis requests and completed 301 requests. By contrast, in the quarter following the publication of the 2013 Post-election Report (March 2014), the PBO received 69 costing and budget analysis requests and completed 9 requests.

Detailed quarterly data on requests for PBO costings and budget analyses are presented in Table E2.

Table E2: Requests from parliamentarians and parliamentary parties for costings and budget analyses – quarterly data²³⁴

	2013-14				2014-15				2015-16				2016-17	
Quarter ending	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Requests outstanding at start of period	463	0	0	60	76	124	51	115	138	165	125	382	20	203
Requests received in period	825	201	69	202	257	129	214	373	418	424	1,023	2,281	787	755
Requests withdrawn in period	121	1	0	40	4	2	1	35	25	28	34	926	28	307
Requests completed in period	1,167	200	9	146	205	200	149	315	366	436	732	1,717	576	301
Requests outstanding at end of period	0	0	60	76	124	51	115	138	165	125	382	20	203	350
Average days to completion	14.2	2.9	12.9	26.0	22.4	10.9	29.3	18.8	16.3	16.9	24.4	17.1	5.8	20.7
Average number of PBO staff	32.5	33.0	36.7	34.6	36.7	37.8	39.7	38.8	38.0	40.5	44.8	48.7	48.0	45.9

Source: PBO

²³⁴ The tables identify the number of ‘options’ received by the PBO, noting that a single request can contain multiple options.

Appendix F – Self-initiated research reports

To date, the PBO has released 28 pieces of self-initiated research, focussing on:

- I. Medium term fiscal outlook
- II. Enhancing public understanding of the budget
- III. Estimates of the extent of unlegislated measures
- IV. Chart packs
- V. Budget analysis and technical notes
- VI. Other self-initiated research reports.

I. Medium term fiscal outlook

Report No 01/2013

[Estimates of the structural budget balance of the Australian Government 2001-02 to 2016-17](#)

22 May 2013

This report contained the first published structural budget balance estimates since 2010. Since then, estimates of the structural budget balance have been included in the official budget papers.

Report No 02/2014

[Projections of Government spending over the medium term](#)

22 August 2014

This report discussed the outlook for and drivers of Australian Government spending to help inform discussion about the sustainability of spending over the medium term. Official estimates of spending on major programs beyond the forward estimates period are not published.

Report No 03/2014

[The sensitivity of budget projections to changes in economic parameters: Estimates from 2014-15 to 2024-25](#)

26 November 2014

This report provided an analysis of the sensitivity of the Australian Government's 2014-15 Budget medium-term projections to variations in labour productivity growth, the labour force participation rate and the terms of trade. This was additional information to that included in the budget papers. The level of sensitivity analysis in the budget papers has subsequently increased.

Report No 02/2015

[2015-16 Budget: medium-term projections](#)

24 June 2015

The 2015-16 Budget papers included projections of the underlying cash balance and net debt to 2025-26 but not projections of receipts and payments. This report included detailed projections of receipts and payments beyond the forward estimates period to 2025-26 assuming no change in policy settings over the projection period.

II. Enhancing public understanding of the budget

Analysis of particular areas of the Budget

Report No 03/2015

[Alcohol taxation in Australia](#)

14 October 2015

This report examined the structure of alcohol taxation in Australia along with a brief overview of how the system came about. It was intended to inform public policy debate on alcohol taxation, particularly in relation to issues raised in a Treasury tax discussion paper.²³⁵

Report No 04/2015

[Medicare Benefits Schedule: Spending trends and projections](#)

25 November 2015

This report coordinated data from disparate sources to examine the main factors contributing to growth in Medicare Benefits Schedule spending over the past two decades and provided objective projections over the next decade based on existing policy settings.

²³⁵ The Treasury (2015) *Rethink: Tax discussion paper*, Commonwealth of Australia, Canberra.

Report No 05/2015[Goods and Services Tax: Distributional analysis and indicative reform scenarios](#)

9 December 2015

In the light of discussion about reform of Australia's tax system, this report sought to inform public discussion of the potential for reform of the Goods and Services Tax (GST). It provided an independent analysis of the revenue and distributional impacts of five indicative GST reform scenarios that had been canvassed in public policy discussions.

Increasing transparency around government accounting practices**Report No 02/2016**[Higher Education Loan Programme: Impact on the Budget](#)

6 April 2016

[Higher Education Loan Programme – supplementary analysis](#)

20 April 2016

The Higher Education Loan Programme (HELP) is a large and growing government programme that supports participation in higher education. The costs of HELP are included in the budget financial statements but are not separately identified. This report discussed the size and costs of HELP and provided an estimate of the impact of the programme on the underlying cash balance. The supplementary analysis showed the projected budget impact of major policy decisions affecting HELP.

Report No 04/2016[National Broadband Network: Impact on the Budget](#)

14 December 2016

The National Broadband Network (NBN) is a major infrastructure investment for the Australian Government. This paper discussed the budget impact of the Commonwealth's equity and debt financing of the NBN and associated fiscal risks.

Report No 01/2017

Future Fund drawdown scenarios: Budget implications

8 February 2017

The Future Fund was established to strengthen the Commonwealth's long-term financial position by making provision for the unfunded superannuation liabilities of Commonwealth employees. This paper discussed scenarios for the drawdown of funds from the Future Fund to meet unfunded superannuation cash payments, and the budget implications of those scenarios.

III. Estimates of the extent of unlegislated measures

Unlegislated measures are those measures from the 2014-15 Budget and subsequent updates that have failed to pass or require legislation that has not been passed by the announced start date. PBO estimates present the impact of unlegislated measures that are included in the current budget estimates and projections. They do not include new policy decisions unless they amend existing unlegislated measures nor do they include measures that are yet to be introduced or progressed in the Parliament.

PBO publications on unlegislated measures provide an objective assessment of the potential impact on the budget estimates (including over the medium term) of contested measures.

- [Unlegislated measures carried forward from the 2014-15 Budget](#)
29 May 2015
- [Unlegislated measures carried forward in the Budget – September 2015 update](#)
8 September 2015
- [Unlegislated measures carried forward in the budget estimates – February 2016 update](#)
3 February 2016
- [Unlegislated measures carried forward in the budget estimates – June 2016 update](#)
9 June 2016
- [Unlegislated measures carried forward in the budget estimates – February 2017 update](#)
7 February 2017

IV. Chart packs

PBO chart packs contain a visual summary of the key drivers of the relevant Budget or Mid-Year Economic and Fiscal Outlook, and the policy decisions underpinning them. Data contained in the charts are primarily based on information published in Australian Government Budget papers, annual reports, portfolio budget statements and portfolio additional estimates statements. The charts show the financial impact of policy decisions up to the end of the forward estimates period.

- [2014-15 Budget and forward estimates – charts](#)
10 June 2014
- [2014-15 Mid-year Economic and Fiscal Outlook – charts](#)
9 January 2015
- [2015-16 Budget and forward estimates – charts](#)
28 May 2015
- [2015-16 Mid-year Economic and Fiscal Outlook – charts](#)
13 January 2016
- [2016-17 Budget – charts](#)
1 June 2016
- [2016-17 Mid-Year Economic and Fiscal Outlook – charts](#)
12 January 2017

V. Budget analysis and technical notes

Technical note No 01/2015

[Factors influencing the reliability of costings of policy proposals: The PBO's approach to reliability ratings](#)

30 June 2015

This technical note explained the rationale behind including reliability ratings in PBO costing response documents, the factors affecting the reliability of costings and how these factors are taken into account in determining reliability ratings.

[Impact of policy decisions and parameter variations on Australian Government revenue and spending estimates](#)

24 February 2016

This analysis explored the impact of policy decisions and parameter variations on Australian Government revenue and spending estimates.

VI. Other self-initiated research reports

Report No 2/2013

[Australian Government spending –Part 1: Historical trends from 2002-03 to 2012-13](#)

10 December 2013

This report examined historical trends in government spending over the period 2002-03 to 2012-13. Comprehensive information on trends in and key drivers of government spending is important for an understanding of the level of sustainability of government spending and the future direction of fiscal policy. A key task of the report was to compile consistent time series of spending data at the function and sub-function level, which were not published at the time.

Report No 01/2015

[National fiscal trends](#)

29 April 2015

This report examined trends in revenue, expenditure, net capital investment and the net debt position across all levels of Australian government for the period 2002-03 to 2012-13.

Report No 01/2016

[National fiscal outlook: As at 2015-16 mid-year fiscal updates](#)

3 February 2016

This report provided an update to the national fiscal position based on recently released Commonwealth and state government mid-year updates.

Report No 03/2016

[National fiscal outlook: As at 2016-17 budgets](#)

2 November 2016

This report provided an update to the national fiscal outlook based on Commonwealth and state government 2016-17 budgets, focussing on the changes in the fiscal balance and net debt since the release of 2015-16 Commonwealth and state mid-year fiscal updates.

Appendix G – List of consultations

Parliamentarians

Senator the Hon Stephen Parry, President of the Senate

Senator Dean Smith, Chair, Joint Committee of Public Accounts and Audit

Mr Julian Hill MP, Deputy Chair, Joint Committee of Public Accounts and Audit

The Hon Scott Morrison MP, Treasurer

Senator the Hon Mathias Cormann, Minister for Finance

The Hon Kelly O'Dwyer MP, Minister for Revenue and Financial Services

The Hon Chris Bowen MP, Shadow Treasurer

Dr Jim Chalmers MP, Shadow Minister for Finance

The Hon Dr Andrew Leigh MP, Shadow Assistant Treasurer

Senator Richard Di Natale, Leader of the Australian Greens

Senator Nick Xenophon, Nick Xenophon Team

Senator David Leyonhjelm, Liberal Democratic Party

Staff from the Office of Senator Malcolm Roberts, Pauline Hanson's One Nation

Mr David Coleman MP, Chair House of Representatives Standing Committee on Economics

Commonwealth Government Departments and Agencies

Mr Grant Hehir, Auditor-General, Australian National Audit Office

Ms Julia Neville, Assistant Commissioner, Australian Taxation Office

Mr Dennis Richardson AO, Secretary, Department of Defence

Ms Rosemary Huxtable PSM, Secretary, Department of Finance

Mr Martin Bowles PSM, Secretary, Department of Health

Ms Kathryn Campbell CSC, Secretary, Department of Human Services

Dr David Gruen, Deputy Secretary, Department of the Prime Minister and Cabinet

Mr Finn Pratt AO PSM, Secretary, Department of Social Services

Mr John Fraser, Secretary, Department of the Treasury

Mr Phil Bowen PSM, Parliamentary Budget Officer, Parliamentary Budget Office

Mr Peter Harris AO, Chairman, Productivity Commission

External think tanks and other stakeholders

Mr Stephen Bartos, former NSW Parliamentary Budget Officer

Mr Adam Boyton, Deutsche Bank

Mr David Crowe, The Australian

Mr John Daley, The Grattan Institute

Mr Saul Eslake, Independent Economist

Mr Jacob Greber, The Australian Financial Review

Ms Lisa Gropp, Business Council of Australia

Mr Peter Martin, The Age

Professor the Hon Stephen Martin, Committee for Economic Development of Australia (CEDA)

Dr Rod Maddock, Committee for Economic Development of Australia (CEDA)

Ms Scherie Nicol, Organisation for Economic Co-operation and Development (OECD)

Mr Chris Richardson, Deloitte Access Economics

Ms Laura Tingle, The Australian Financial Review

Mr David Uren, The Australian

Mr Shane Wright, The West Australian

Appendix H – Information requests to Government Departments and Agencies

Annual data on information requests

There has been a substantial increase in the number of information requests received by the PBO from Government Departments and Agencies. Taking roughly similar points in the electoral cycle, the number grew from 400 in 2013-14 to 745 in 2015-16.

At the same time, there has been a significant improvement in response times, with the percentage of requests received late falling from 55.1 per cent in 2012-13 to 6.7 per cent in 2015-16.

Average time to respond has also fallen substantially – from 13.1 days in 2012-13 to 6.5 days in 2015-16. Notably, responses were, on average, received early from 2015-16 onwards.

Table H1: PBO information requests – annual data

	2012-13	2013-14	2014-15	2015-16
Requests received	332	400	216	745
Percentage late	55.1	47.8	31.9	6.7
Average time to respond	13.1	12.6	13.5	6.5
Average punctuality (days late)	3.0	5.3	2.9	-1.3

Source: Parliamentary Budget Office (2017)

Department and Agency response times

Table H2 shows information request responsiveness by Commonwealth Departments and Agencies for 2015-16. The Department of Social Services received the largest number of requests (a total of 170, or nearly 23 per cent of all requests), with all but one response received by the PBO on time. Additionally, a number of Departments and Agencies recorded no late responses over the time period.

Table H2: PBO information requests – by Department and Agency, 2015-16

	Requests received	Percentage late (%)	Average time to respond (days)	Average lateness of late responses (days)
Agriculture	16	38	6.7	1.2
Attorney-General	22	9	6.6	2.0
Australian Bureau of Statistics	3	-	4.0	-
Australian Competition and Consumer Commission	3	67	5.0	2.0
Australian Nuclear Science and Technology Organisation	1	-	11.0	-
Australian Taxation Office	59	-	4.0	-
Commonwealth Grants Commission	1	-	1.0	-
Communications	11	45	8.5	1.4
Defence	9	11	6.7	2.0
Education and Training	53	8	6.6	6.0
Employment	27	-	8.5	-
Environment	20	5	6.4	1.0
Finance	66	2	6.2	1.0
Foreign Affairs and Trade	12	-	4.3	-
Health	37	30	9.2	2.4
Human Services	31	-	5.2	-
Immigration and Border Protection	20	5	4.7	1.0
Industry and Science	29	21	7.2	3.0
Infrastructure and Regional Development	12	-	6.1	-
Prime Minister and Cabinet	7	-	6.4	-
Social Services	170	1	7.3	3.0
Treasury	127	7	5.9	8.3
Veterans' Affairs	9	-	7.8	-
Total	745	7	6.5	3.5

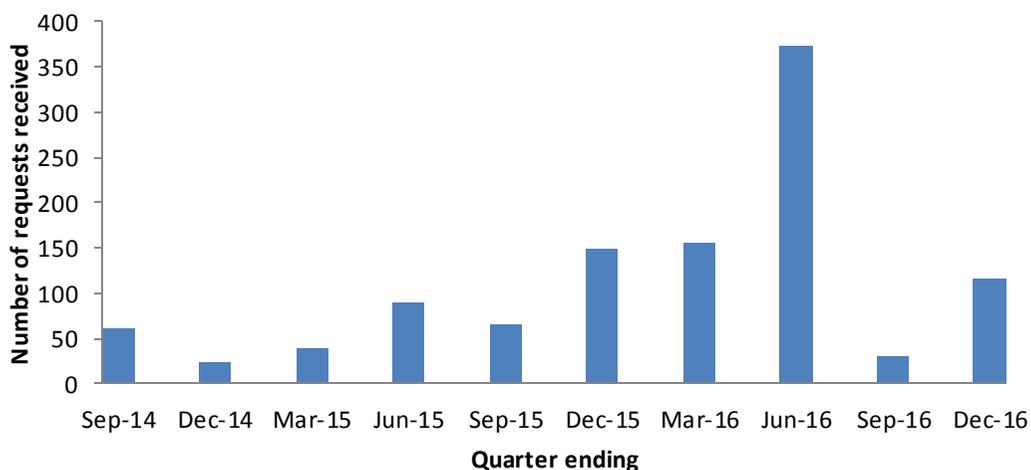
Source: PBO Annual Report 2015-16, p 60.

Quarterly data on information requests

Examination of the quarterly data since 2014-15 reveals a similar pattern to the annual data (see Table H3). There is a large increase in the number of information requests received in the June quarter 2016 prior to the general election on 2 July 2016²³⁶ where the number of requests received increased from 155 in the previous quarter to 374. Despite this increase, the average time taken to respond to requests more than halved, from 10.4 days, in the March quarter 2016 to 4.7 days, in the June quarter 2016.

Chart H1 plots quarterly data on information requests received. The peak due to the 2016 federal election – and the gradual increase in the lead-up to the caretaker period – is clearly visible.

Chart H1: PBO information requests received – quarterly data



Source: PBO Annual Reports, Australian National Audit Office (2014)

Table H3 below shows that the timeliness of information requests continued to improve in the first half of 2016-17.

²³⁶ The quarterly data also reveal a steady ramp-up in requests in the two quarters prior to this quarter as parliamentarians begin the policy development process.

Table H3: PBO information requests – quarterly data

	2014-15				2015-16				2016-17	
Quarter ending	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun ²³⁷	Sep	Dec
Requests received	62	24	40	90	66	150	155	374	30	115
Percentage late (%)	43.5	37.5	35.0	21.1	10.6	5.3	10.3	5.3	3.3	1.8
Average time to respond (days)	17.0	17.3	17.1	8.5	6.6	6.9	10.4	4.7	13.7	5.1
Average punctuality (days late)	6.9	4.7	1.9	0.2	-0.8	-1.1	-0.1	-2.0	-2.5	-4.6

Source: PBO Annual Reports, PBO Reports to Senate Finance and Public Administration Legislation Committee, Australian National Audit Office (2014)

²³⁷ Includes caretaker period for 2016 general election.

Appendix I – Proposed amendment to legislation

Implementing recommendation 12 of this report would require an amendment to the *Parliamentary Service Act 1999*.

Timing of the Post-election Report of election commitments

Section 64MC of the *Parliamentary Service Act 1999* requires the publication of the Post-election Report to be no later than 30 days after the end of the caretaker period for a general election.

Recommendation 12 of this report states that the timing of the publication of the Post-election Report of election commitments should be delayed to the later of the first sitting day of Parliament following a general election or 30 days after the return of the writs from a general election.

To implement this recommendation, the *Parliamentary Service Act 1999* would need to be amended to change the deadline for the publication of the Post-election Report.