

Resourcing and physical location

Introduction

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

Staffing

Staff qualifications, experience and associated issues

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

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

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

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

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

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

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

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

5.9 The Auditor-General added:

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

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

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

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

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

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

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

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

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

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

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

Staff employment framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Funding

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 5.30 DPS provided three estimates for the PBO's budget. These were:

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

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

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

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

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

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

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

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

Physical location

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

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

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

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

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

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

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

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

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

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

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

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

Concluding comments

Staff qualifications, experience and associated issues

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

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

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

Staff employment framework

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

Funding

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

Physical location

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

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

Recommendation 26

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

Recommendation 27

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

Recommendation 28

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

Senator the Hon John Faulkner
Chair
16 March 2011