



PARLIAMENT of AUSTRALIA

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JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Independent review of the Parliamentary Budget Office

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Independent review of Parliamentary Budget Office

Parliament's Joint Committee of Public Accounts and Audit today tabled the independent review of the Parliamentary Budget Office (PBO).

Commissioned by the Committee after the 2016 election, the independent review explored the operations of the PBO in the period since its establishment in 2012, with a focus on how it could build on its work so far.

"The Parliamentary Budget Office, in just five years, has established itself as a key parliamentary institution in Australia," Committee Chair [Senator Dean Smith](#) said. "The PBO provides independent, high-quality analysis of the budget cycle, fiscal policy and the financial implications of proposals".

The independent review was chaired by Dr Ian Watt AC, former Secretary of the Department of the Prime Minister and Cabinet. Mr Barry Anderson, former Deputy Director of the US Congressional Budget Office, was the other member of the review team.

Senator Smith thanked Dr Watt and Mr Anderson for their work, and said the report gave the Committee much to think about in its role of overseeing the operations and resourcing of the PBO.

The review canvassed the feedback of a variety of stakeholders as part of its deliberations, including parliamentarians, Commonwealth Government agencies, external think tanks and other stakeholders, including journalists.

The review made a total of 16 recommendations, across themes including: a level playing field for costings; accuracy of policy costings; transparency and public understanding of budget and fiscal policy settings; and governance and resources. A full list of recommendations is attached.

In their review, Dr Watt and Mr Anderson described the PBO as 'a successful institutional development in Australian governance', which has 'filled a significant gap in Australia's public policy landscape'.

This latest report follows a 2014 Auditor-General's audit report into the administration of the PBO which found the PBO was 'well regarded as an authoritative, trusted and independent source of budgetary and fiscal policy analysis'.

"This report is particularly timely given that Mr Bowen completes his term as Parliamentary Budget Officer in July and the Presiding Officers are in the process of appointing a new Parliamentary Budget Officer".

The Committee will further consider the report as part of its role in providing ongoing oversight of the Parliamentary Budget Office.

Further information about the review can be accessed via the Committee's [website](#).



PARLIAMENT of AUSTRALIA

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PARLIAMENT of AUSTRALIA

MEDIA RELEASE

Independent review of Parliamentary Budget Office 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:
 - a) the relevance of the request to matters expected to be before the Parliament
 - b) the level of representation of the requesting political party in Parliament
 - c) the level of priority given to the request by the parliamentarian's political party and/or the parliamentarian, and
 - d) 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.



PARLIAMENT of AUSTRALIA

MEDIA RELEASE

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:
 - a) the top ten policy proposals by dollar value
 - b) any proposal with an impact of over \$1 billion in a year
 - c) proposals with a materially different impact beyond the forward estimates, and
 - d) 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.