

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the Parliamentary Budget Officer**

Melbourne—Monday, 26 April 2021

### **MEMBERS**

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

Ms Bridget Vallence

**WITNESSES**

Mr Anthony Close, Parliamentary Budget Officer,

Mr Xavier Rimmer, Director, Policy Analysis and Advice, Victorian Parliamentary Budget Office.

**The CHAIR:** I declare open this hearing of the Public Accounts and Estimates Committee. I would like to begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting and pay our respects to them, their culture, their elders past, present and future and elders from other communities who may be here today. We welcome you to the public hearings for the Public Accounts and Estimates Committee Inquiry into the Parliamentary Budget Officer. The committee will be reviewing and reporting to Parliament on the operational and resourcing arrangements for the Parliamentary Budget Officer, including how well the Parliamentary Budget Officer's functions are being performed.

Mobile telephones should now be turned to silent. All evidence taken by this committee is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today, but if you repeat the same things outside this forum, including on social media, those comments may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript for you to check. Verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible. The hearing may be rebroadcast in compliance with standing order 234. We ask that photographers and camerapersons follow the established media guidelines and the instructions of the secretariat.

We welcome the Parliamentary Budget Officer and Mr Rimmer, and we ask that you make a brief opening statement presentation of no more than 10 minutes. We ask that you state your name, position and organisation represented, for broadcasting purposes, and this will be followed by questions from the committee. So thank you.

**Visual presentation.**

**Mr CLOSE:** Thank you, Chair, and good morning, committee. Anthony Close, Parliamentary Budget Officer of the Parliamentary Budget Office. Thank you so much for the opportunity to speak today in relation to the terms of reference that the Chair just described. Today I will present my assessment of outcomes, outputs, as well as three strategic issues that I am faced with after three years experience, as of last Friday, in making the legislation live for the Parliamentary Budget Officer Act.

I have taken the approach of performing a self-assessment similar to ACAG's framework for self-assessment and quality, adapted for the Parliamentary Budget Office and then the Act that we work under. For your reference I have included in my presentation pack to the inquiry my operations and resourcing self-assessment summary. It provides the performance I have described in my governance reporting, as well as updated information for your consideration for the current financial year. I am happy to talk to these sections and answer any other questions that you may have.

The PBO has built a credible and authoritative policy-costing and advisory service that I believe is relied upon by members of Parliament, and we have done that in a relatively short period. In relation to my first two legislative objectives, my team and I have progressed well. We have developed a strong client base, and members have scored us highly for the attributes central to these first two objectives.

We have, however, been challenged by being timely. We have implemented strategies to address poor public sector information supply, which is central to this issue, but there is no substitute for effective legislative powers or strong commitment for information sharing and transparency. In relation to my third objective, during the election period we achieved this, with members regularly referencing the PBO in Parliament. However, we have been less successful outside the election period. The timing of release of a government agenda for a parliamentary sitting means that members who are aware of our information supply issue generally do not seek our services to support parliamentary debate.

In terms of output, for the 2018 general election we exceeded expectations by preparing three pre-election reports, 215 election policy costings, 829 election commitment costings and three post-election reports, all

within legislated deadlines, in addition to setting up the office. Our post-election reports represented the government's and opposition's full suite of election policies. I cannot stress enough the importance of this as, without the full suite, the overall financial impact of a parliamentary leader's policies on the state budget or budget updating is not meaningful.

Outside of the election period we have prepared an increasing number of policy costings and have rarely responded with a statement of insufficiency. Instead we have found alternate data sources and developed our own models to respond where information supply was not useful, was prohibitively slow or not provided. However, this has come at a cost to efficiency.

We have also developed and released a range of public resources in support of our third objective. These are resources that we prepare as interim outputs for our policy costings and advice but are not subject to confidentiality provisions. In support of information transparency, I make them available on our website and they are visited frequently by the public. We have had over 1200 website sessions logged per month on average since we started recording. We use highly automated approaches to gather and analyse many of these outputs. In addition to the bespoke models that we prepare for each policy costing, we have also developed five re-usable policy costing models to improve our time lines, particularly around state revenue sources. Where policy costings responses within the scope of these models previously took months, we are able to develop, review and approve those within a day. We have identified over 40 other re-usable models that we believe are critical to best delivering on the 2022 general election, and surge funding in advance of the election year will be critical in achieving this.

Shortly after my commencement I engaged the OECD to perform an independent review of the Victorian legislation against its nine principles for the PBOs to achieve better practice, given that this was new and novel legislation at the subnational level. The OECD identified gaps in our mandate, resources, access to information, external evaluation and relationship with the legislature. It identified partial gaps in transparency, and it identified better practice around local ownership, communications, independence and non-partisanship. I think that the spider diagram really shows quite visually the gaps in our legislation towards OECD principles.

The OECD described the PBO as having a narrow-scope mandate. The scope excludes links to the budget process that peer organisations have within their legislated mandates. Our experience over the past three years is that this has created great challenges given that we are required to prepare policy costings against the latest budget or budget update, yet we receive a hard copy of the budget papers at the same time as the opposition leader and after the media. I support consideration by the committee of expanding the PBO's role to better connect into the budget process.

There is also a disconnect between what I propose for resources in my draft operational plan, which is reviewed by PAEC through its legislative oversight role, and what is subsequently approved through government convention. This practice serves to limit PAEC's effectiveness, where whatever feedback it provides around my draft plan and budget is inconsequential to the funding that I receive. As the legislation is not precise in this respect, I support changes to strengthen the financial independence of the PBO for resourcing.

I also note that the latest published budget update shows no change to the PBO's \$3.3 million appropriation since inception—a reduction in real terms—and no surge funding for the 2022 general election. The election policy costing period for the next general election, I note, commences in the next financial year, which starts in around two months. If I do not receive surge funding, I will not be able to deliver election services. If I receive it only in the year of the general election, it will be too late as the election costing period will have already commenced in the previous financial year. This would put us in a position similar to that of the 2018 general election, which is entirely avoidable. I wish for none of my team to ever have to go through the challenge that we went through in 2018, and I look forward to the committee's support around their health and wellbeing.

In terms of access to information I have written extensively about public sector information supply performance in my annual reports. Today I would like to acknowledge the public sector bodies that work constructively with us and particularly thank those that have signed MOUs. They understand the benefit to them of members having an authoritative and credible independent service. They understand that should they be required to implement a member's policy proposal costed by the PBO, it is more likely to be well specified, appropriately funded and implementable. They accept that it is government policy and seek to execute it as effectively as possible. Despite the visible support of the executive in sharing information with the PBO via its statement of intent, without legislative change to explicitly provide information-gathering powers rather than

information-requesting powers, to protect member confidentiality, we will continue to be challenged in obtaining the inputs that we need from some parts of the public sector.

So in conclusion, my self-assessment of the PBO and resourcing is that we are progressing most of the legislation objectives but we are not progressing them efficiently. Mine and the OECD's recommendations in my 2018 report of PBO operations, which I presented as strategic risks, remain relevant today as strategic issues. With three years of experience in the application of the legislation and a 2022 general election looming fairly closely, timely review of the legislation would be prudent prior to the next general election. Thank you, Chair.

**The CHAIR:** Thank you, Mr Close. Deputy Chair, would you like to?

**Mr RIORDAN:** Yes, I will kick off. Thanks, Chair, and thank you, Mr Close and Mr Rimmer, for coming along this morning. Look, straight into it because we have got limited time, Mr Close, I want to ask you: in evidence that we will be hearing later today in a submission put in by the one government agency that is responding on behalf of all departments and the government, they make it clear that (a) you have enough money, and (b) they referred us to budget paper 3 in last year's budget that said '89 per cent satisfaction from stakeholders'. That is the government's view of what your agency does. Your view of course is—and I refer to your most recent report, page 10, which says:

42 per cent of public sector responses were not useful or only partially useful. This required us to divert significant resources to follow-up, replan and identify alternative data sources.

So on one hand we have a story from you that you have had a cut in real terms, with the original \$3.3 million now three years in roughly reducing at 1 per cent a year. My understanding from your submission is that staff have reduced from an estimate at the start of 20 staff down to 16 and falling. We have got an election around the corner that you need guarantee of. Can you tell us who is right: you, or the government?

**Mr CLOSE:** Look, at the end of the day, my job is to faithfully try and achieve the objectives of the PBO Act. The PBO Act itself, as I have just described I believe we are progressing the first two objectives to a large extent but we are certainly not able to progress the third.

**Mr RIORDAN:** Sorry, what is the third?

**Mr CLOSE:** The third objective around supporting parliamentary debate and public awareness. These are the types of things where there is incredible potential and there is no right answer. There is demand that the legislation clearly looks to constrain by putting in place a prioritisation framework. Your reference to the initial funding in the 2017 budget that was prepared for me by the government prior to me commencing, it actually did have 20 FTEs that the government had planned for it. Unfortunately it failed to include any corporate overheads, so from the start of the organisation's existence we commenced with 16. Subsequent to that because of the reduction in real funding it has actually translated to a decrease of the equivalent of one FTE each financial year, so in 2021 I reached the point where I needed to make a decision around trading risk. So as I have previously spoken to PAEC about, we have reached a point where we no longer have critical mass. You can imagine that a small organisation dealing with every single government function and service is an incredible challenge at the best of times. We were at the point where we no longer had coverage in the key areas that we needed to, including health and education where members' policies are frequent and often. So to that end I made the difficult decision to restructure and I removed two executive contracts, but I have traded, if you like, the critical mass risk for a significant increase in key person risk and potential moving forward for strong service quality issues by taking on the corporate management model myself while I stay within budget but deal with the financial impacts of that change.

**Mr RIORDAN:** I have just got 2 minutes left, Mr Close. I just want one more question before I hand to my colleague. Just to clarify, the government's whole position is represented by just one department, and unfortunately no-one else from government is prepared to come and discuss this very important issue. But they refer to budget paper 3, and I have just one last question on budget paper 3 where it says:

*Timeliness*

Requests responded to by due date ...

were 97 per cent. In both your reports nowhere do they in any way indicate that 97 per cent of requests were responded to in a timely fashion. Does that 97 per cent rate just mean that they have got back to you with an

email to say that they cannot help you or they will get back to you at another point in future? How could the government have that when you have got a figure of 42 per cent not even being complied with? I also refer to another graph you had there, dealing with the Department of Transport, for example, with massive expenditure, and yet time and time again they just do not respond.

**Mr CLOSE:** Yes, sure. Look, with this one the measure itself relates to where a member of Parliament has requested a critical response date to us that we were able to respond to in that time frame. We have taken an approach with how we operate with the Parliamentary Budget Office that we look to the member prioritising their own work before we then utilise our prioritisation framework, and so to date I have not had to use the prioritisation framework that is available on my website and required by the legislation. Unfortunately the members are all too aware of the information supply issues and so they are very grateful for the service that we provide and generally do not seek to put critical response dates unless absolutely critical to them. Where they do we prioritise that above everything else and will work days, nights and weekends to absolutely deliver on that critical response date. So it does not relate to all of our responses, but understanding the strategic issue we have around information supply, particularly as it speaks to infrastructure projects with information requests through the Department of Transport, members are generally appreciative of the service that we provide and do not try and put a critical response date on it.

**Mr RIORDAN:** I will just hand to Ms Vallence.

**Ms VALLENCE:** Thank you, Mr Close. Given your obligations and the role that you perform, and you referred in your presentation to OECD measures and OECD gaps, do you consider that you receive the necessary cooperation from the Department of Treasury and Finance and the Department of Transport?

**Mr CLOSE:** Look, I think they can always be better, and I think central to the information supply is building strong relationships. As part of my strategy to improve information supply I actually engaged an independent consultant, a former VAGO performance auditor, to go and assess the quality of the relationships and if there were any barriers to signing MOUs with us and information supply. Unfortunately the number of departments—we were not able to reach everyone that we wanted due to COVID, and access became an issue last year, but certainly the feedback from those that I received it from was that we have built a very strong level of goodwill to the departments that we work with—

**Ms VALLENCE:** Goodwill is one thing, but cooperation—I think you mention in your report quite expressly that there has been a deterioration in public sector information supply. So is that not in terms of the cooperation you are receiving from those departments? Is that insufficient for you to perform your role?

**Mr CLOSE:** I think the goodwill is there but the timeliness is inconsequential to that relationship, and so where there is no consequence for breaching the Act and moving past the three days as legislated—

**Ms VALLENCE:** Do you suggest that there should be penalties?

**Mr CLOSE:** Look, I would leave that open to this committee as to what the approach may be. Penalties may be one area. There could be other options and policies available. I will not comment on that, but certainly—

**Ms VALLENCE:** Perhaps from the OECD perspective is there anything you could table for the committee for us to consider in terms of best practice?

**Mr CLOSE:** I would defer to the OECD around that, but penalties are one thing. In the context of Victoria, the precedent that I can see that may be appropriate is that the information commissioner recently received powers to be able to determine issues associated with freedom of information. This is not freedom of information and requires other work, but it may be a potential that the committee could explore. But certainly there would be a range of options available.

**Ms VALLENCE:** And you mentioned in your presentation surge funding. In terms of surge funding to adequately deliver election services, perhaps considering the OECD measures and in your own view, how much surge funding do you need?

**Mr CLOSE:** Look, I need a sufficient amount to be able to at least do the government of the day and the opposition party, and I think that is the baseline.

**Ms VALLENCE:** Can you indicate a figure?

**Mr CLOSE:** Yes, sure.

**Ms VALLENCE:** Noting the time allowed.

**Mr CLOSE:** Yes, sorry. Anything from there I think is our productivity or efficiency associated with that. It is not a simple question to answer in terms of numbers. Although we do have a number, it is predicated on the organisation being at that minimum capacity level of the 16, which I have not requested more out of the election costing period. But in addition to that it would be in the order of \$600 000 to \$700 000 to be able to do the 2022 election.

**Ms VALLENCE:** That you would need to see in this next budget?

**Mr CLOSE:** Across financial years, so keeping in mind that the election costing period actually commences next financial year. We would need funding in 2021–22 and then also in 2022–23 to be able to deliver that.

**The CHAIR:** Sorry to interrupt you there, Mr Close, but Ms Vallence's time has expired. I will pass the call to Mr Sam Hibbins.

**Mr HIBBINS:** Great. Thank you, Chair, and thank you for appearing this morning. One of the issues that is raised in your annual report is the timeliness of responses from departments. Can you outline: what are the reasons given by departments for the non-timeliness of their responses, and do you regard the queries from the PBO as being complex or requiring further clarification?

**Mr CLOSE:** Thank you, Mr Hibbins. Probably the most telling way of providing a response to that question is feedback provided by that independent review into barriers to information supply that I commissioned last year. One of the respondents said that it takes as long as it takes in terms of timeliness. To me that has a sense of appreciation of no consequence to timely information supply for that particular department, and it would certainly be something that I think could be resolved with strengthened legislation in this area.

**Mr HIBBINS:** Okay. You indicated in your opening remarks that you thanked those government departments that were working constructively with you. Can I then infer from that the working relationship with other departments, particularly those ones that you have not signed MOUs with, is not a constructive relationship?

**Mr CLOSE:** Look, as I said, despite the small number of MOUs in respect of the overall public sector, we do have good working relationships. However, I am constrained under section 26 to actually provide all communications to the secretary of the public sector body or the head of the public sector body. So despite good officer working relationships et cetera, the efficiency and also the responses provided do not necessarily provide a reasonable justification. Our approach is that we write back to the public sector body head if we receive a response that is not adequate for us to then be able to provide a statement of insufficiency or check with our clients whether they want us to use alternate data sources in preparing a response. But again there is no consequence. We are unable to progress that any further. We have had a response to a request for models that the models were not able to be provided to us because they included judgement. My response was that I am not looking for the judgement as per the Act, I am looking for the information and documents that relate to that model. But that was the end of the conversation. There is nothing more that we can do there when a public sector body head refuses to provide.

**Mr HIBBINS:** Yes. Just finally, you mentioned having to seek alternate data sources when you could not get that information from departments. Can you outline just some of the issues in terms of having to go down that approach?

**Mr CLOSE:** Look, I think there are some very good data sources that we use, but none are as good as the experience of similar projects in the Victorian public sector in terms of credibility and accuracy. There is also an efficiency issue associated with having to seek alternate data sources, so we may be looking for public information on jurisdictions around the world relating to similar policy proposals that we are costing, and that does take a lot of time and energy.

**Mr HIBBINS:** Thank you.

**The CHAIR:** Thank you, Mr Hibbins. Mr Limbrick.

**Mr LIMBRICK:** Thank you, Chair, and thank you, Mr Close and Mr Rimmer, for appearing today. One of the issues that you brought up in your presentation which I am very familiar with is the idea of timeliness in order to have analysis done for debate in Parliament. Now, we have commissioned one piece of work in the Liberal Democrats, which was around the engineers registration Bill, which was excellent and contributed a lot to the debate. But I am very conscious that we only know, as do you, what stuff is coming up in Parliament on a very short sort of time line, and we do not want to request a scattergun analysis on everything because if the analysis gets to us after debates finish, then of course it loses its value. Is it possible for you to get estimates of time lines from departments so that they could say, 'Well, we think this will take X, Y and Z amount of time' and then that would enable you to tell your customers whether you are going to be able to do this in a reasonable period of time or not? Because at the moment it sounds like they are just saying, 'Well, it takes as long as it takes'. Then if you get a request from someone like me, you are not going to be able to know whether you can actually do it in time and whether you are wasting your time or not.

**Mr CLOSE:** Working effectively with our standing arrangements we do assess each information request for burden and priority, and we have a standard schedule that is available on our website around that that allows some negotiation in terms of time frame. Where there is a particularly complex request we offer great flexibility around balancing the needs of members with the need to obtain the information, so we will work with the public sector body around that to come up with something that is suitable. A great case in point was our MOU with Victoria Police during COVID. As you will all appreciate, Victoria Police were very busy attending to policing matters associated with COVID. We were able to effectively, under our MOU, negotiate extended time frames, extended expectations with the members involved in those policy costing and advice pieces and balance those effectively. Without the MOUs in place I am constrained to dealing with the secretary, generally by exchange of letters, and so that opportunity is not there.

**Mr LIMBRICK:** Thank you. For some departments you have MOUs in place; for others you do not. What is the barrier to setting up MOUs with all departments that you want to have access to data from?

**Mr CLOSE:** Yes, sure. There are a couple of issues that I will discuss. As it relates to the portfolio departments, the Victorian Secretaries Board has absolved itself of setting up MOUs and divested that to the Department of Treasury and Finance. In 2018 we started a process. My draft MOUs were modelled on the Australian PBO's, which have worked very effectively at the federal level, tailored for Victoria. However, the requirement at the time was that all information go through the Victorian Secretaries Board or at least then subsequently be copied into the secretary of the portfolio department regardless of whether it was a public sector body underneath or not, and that created too much for risk to us for member confidentiality, which we were told quite clearly would not result in them using our services if it was too widespread in the public sector.

**Mr LIMBRICK:** Okay. Thank you.

**The CHAIR:** Thank you. Ms Richards.

**Ms RICHARDS:** Thank you, Mr Close and Mr Rimmer, for appearing here for us this morning and providing this evidence. I am actually interested in understanding a little bit more about the process you undertake when you do get a request for costings from a member of Parliament. Can you perhaps run through some of that for the committee so that we can understand—you know, how does your day start?

**Mr CLOSE:** We offer a range of ways and a lot of flexibility with members to be able to request our services. We have a portal for those that use us regularly where they can enter the information 24/7, so our morning sometime starts with requests sitting in our workflow inbox ready to commence on. We meet with members of Parliament individually, and we also accept emails, letters—and I am sure carrier pigeons if we could. Once we receive a request submission, we assess it to understand whether or not we have got significant information to be able to cost that policy. And quite often we do not—we need to go back with a range of questions or alternatives. What we have found is that part of the process is absolutely invaluable to members who may have a concept or an idea but do not necessarily know how to translate it into a detailed policy specification or have not considered things like escalation or who may run it, those types of areas. We never provide policy advice and we never question the merits of policy at that stage, but we do assist members to be able to explain or expand their policy proposals into something that we can then take and cost.

Once we accept that request as a request to the PBO, the clock starts ticking and we plan a response. Xavier's team works on developing essentially a mind map of conceptually what that policy costing might look like. In the case of advice, we focus around a focusing question, so then we look at the subquestions that we may need to answer around that. From the planning we then move into analysis, prepare models, request information from the public sector, if required, and then it goes through quite a rigorous review process from a peer review to a director review to my PBO clearance, so nothing goes out of the office without my approval and clearance that it represents an independent and valued response.

**Ms RICHARDS:** I am interested in understanding a little bit about that conversation and the way that you develop the initial question. Do you work in consultation with the person who has made the request, perhaps refining it, making adjustments to what can be done? And does that continue all the way through, or is that something that has its own time frame? Do you set those consultations that you were just discussing with the member? Once a question has been determined, is that the end of it, or do you continue that toing and froing through the whole process?

**Mr CLOSE:** Thank you for the question. Our goal is to be as responsive as we can be within the constraints that we have. We generally will set the scope of the advice question in that particular case or policy costing once we have accepted it as a request. But from there we do engage with each of the members that we have got active work for to give them understanding of time frames and any issues that we are finding in respect of that. That may result in a scope change if there is information that we are not able to do, or it may result in a request for a statement of insufficiency or a partial response and a statement of insufficiency as well. We are happy to provide the response that we can within the constraints that we have.

**Ms RICHARDS:** Terrific. Chair, I will cede my time to my colleagues.

**The CHAIR:** Thank you. Mr Maas.

**Mr MAAS:** Thank you. I would like to turn to budgetary considerations, and I was wondering if you could just give me or the committee a general outline of the PBO's costs and budget since it was established.

**Mr CLOSE:** Yes, sure. Can you go to the funding? So our budget has been \$3.3 million since inception per annum. We obtained a Treasurer's advance of \$770 000 for the 2018 election, and the 2017–18 budget, due to the late commencement of my role, the budget of \$3.3 million for 2017–18, I think we spent about \$0.6 million with it. When you add all of those things together, we have spent to date, estimated to 30 June this year, \$11.1 million against a budget of around \$16 million, I think.

**Mr MAAS:** Okay. It is a little bit consistent with the line of questioning where I am going with this. Annual reports from other PBOs around the country indicate that there is a fair bit of variance within costs as compared to budget. The Victorian PBO budget operates within a base of \$3.3 million, as you said, per annum, and I also note that its funding increased to \$4 million in the last election. By comparison the New South Wales PBO spent \$1.6 million, which was for only a nine-month period. The pro rata, you would have to say, is still significantly less. Would you agree with the proposition then that the Victorian PBO is quite well resourced?

**Mr CLOSE:** Look, I think comparisons with the New South Wales Parliamentary Budget Office would not be appropriate. It is a temporary parliamentary budget office set up purely for the election, and I suspect that the resources and everything around corporate functions et cetera are not necessarily captured within that number. I would be interested to look at that further.

In terms of global comparison for funding with parliamentary budget offices, there is not a lot of good information that I have been able to find to ascertain that, but I am very interested. But again the funding associated with the Parliamentary Budget Office is really predicated on the level of focus that is required on this work within the current funding profile. And you can appreciate that the number of resources versus the size of the work that we need to do or the breadth of scope of the work that we need to do has been insufficient to date. Combined with that the lack of clarity around the PBO legislation—we are described as an administrative office, but it has no context in the public sector and is undefined in the parliamentary legislation—means that we have had to set ourselves up in addition as our own entity, so there are additional costs associated with that, which I have absorbed, as well as bring our corporate functions into our own cost base as well, which I have also absorbed.

**Mr RIMMER:** Just to add to that, there are function differences between the temporary New South Wales office and the Victorian Parliamentary Budget Office. For example, we prepare demand-driven services as well as responsive services to commitments that are made, and we offer a service of pre-election reports. I think the only other jurisdiction that does that is the Netherlands, and that is a relatively intensive process and it is not one that is undertaken by the New South Wales Parliamentary Budget Office.

**Mr MAAS:** Thank you. And just one last question from me. When we were discussing the New South Wales model you talked about it being a different model and it being an election-based model, and that indeed I believe has been a model that has been put forward by the opposition in the past. Would you be able to just talk us through what you perceive as being the advantages and disadvantages of those two models?

**Mr CLOSE:** Look, I think without a doubt the decision to move to a permanent office was a good one for Victoria. My assessment of that, and I think the one I will focus on mainly, is the fact that in the last New South Wales election, whilst the New South Wales Parliamentary Budget Office was able to identify all of the election policy costings, it was unable to cost them all, and so as I said earlier in my presentation, the lack of a full suite costing means that the impact of the state budget of a political party's platform is less meaningful. The establishment of a permanent budget office is quite important to building capabilities. This is a really unique function that we provide, and we are generally unable to go and get resources off the tree that hit the ground running. Our experience now with using temporary resources and shifting to that strategy is that it can take up to six months for them to be fully productive in preparing policy costings and advice for us. So there is quite a significant difference, but that then translates into us being able to be more responsive and build capabilities and relationships to get what we need to get done, done.

**Mr MAAS:** Thank you.

**The CHAIR:** Thank you, Mr Maas. Ms Taylor, MLC.

**Ms TAYLOR:** Thank you for appearing here today. It is helpful for us to get this information. Your annual report indicates you received and completed 110 policy costings and 40 pieces of advice last year. That is about half the workload of the 2018 election year. I also notice that your website publishes information that appears to be self-directed, such as the COVID spend tracker and analysis of the state budget. Can we assume this workload was well within your budget capacity?

**Mr CLOSE:** Look, thank you for the question. In relation to the numbers, you will note that I do not set targets for the number of requests. It would be a meaningless number. Advice, we generally find, is a lot more complex and can take a long time in comparison to policy costings. But we also receive policy costings that can be quite complex as well for the first one and then really easy for the 19 after that we do, varying parameters within that policy costing. So I do not think it is appropriate to compare across financial years and get the calculator out and work out dollars per costing. I do not think that is an appropriate measure. What I can say is that, based on the approach we take, we have always got a pipeline of work to do and so we are always fully productive and working as efficiently as we can be in relation to the work that we do, due to the 100 per cent capacity at all times. In relation to the public resources that I also provide, there are two aspects to that: one, they are done in the preparation of work that has been requested for policy costings and advice, and the second is that we use highly automated processes to achieve a lot of those things. They require very little human intervention—for example, the economic and fiscal indicator data that we make available on our website. We require that for policy costings to be able to project forward and forecast. We use a very automated process to draw that down from the ABS and kick it over into the visualisations that you see, and that has become a resource that is available to our staff to help them do their work for independent policy costings. In relation to COVID trackers and those types of things, we have got a very automated process around monitoring media and it is a phenomenally good resource for our team to be able to understand policy costing impacts.

**Ms TAYLOR:** Thank you. Now, we have sort of been looking at the model used in Victoria versus the model used in New South Wales, and I think it would be actually quite useful to explore that a little more deeply, looking at competing models for PBOs—standing bodies such as the Victorian model, or those that are for election years only, as you were referring to before with New South Wales, or the one put forward by the former coalition government in this state. Can you explain what the advantages and disadvantages of each are?

**Mr CLOSE:** Look, I think the advantages and disadvantages is a difficult question. I think the OECD principles are probably the most important thing to reflect on in relation to your question, and the first principle

is local ownership. The OECD recommends that the PBO should be in place to solve the local issue that it is set to do, and accordingly, if you look at PBO models—and in the ‘Mandate’ section that I have provided I have shown some of the different functions and models that they provide—to assess where the local problem is. Clearly the local problem being solved here is access—levelling the playing field, as the Treasurer said in his preamble to the introduction of the Act—and providing members of Parliament with more sophisticated ways of developing policy proposals.

**The CHAIR:** Thank you, Mr Close. Thank you, Ms Taylor. That concludes the time we have available for consideration with you today. We thank you very much for appearing before the committee. The committee will follow up on any questions which were taken on notice in writing, and responses will be required within five working days. Thank you very much for your time today.

**Mr CLOSE:** Thank you, Chair. Thank you, committee.

**Witnesses withdrew.**