

# PARLIAMENT OF VICTORIA

Public Accounts and Estimates Committee



## Inquiry into the Parliamentary Budget Officer

Parliament of Victoria  
Public Accounts and Estimates Committee

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# Committee membership



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# About the Committee

## Functions

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the *Parliamentary Committees Act 2003*. The Committee comprises ten Members of Parliament drawn from both Houses of Parliament.

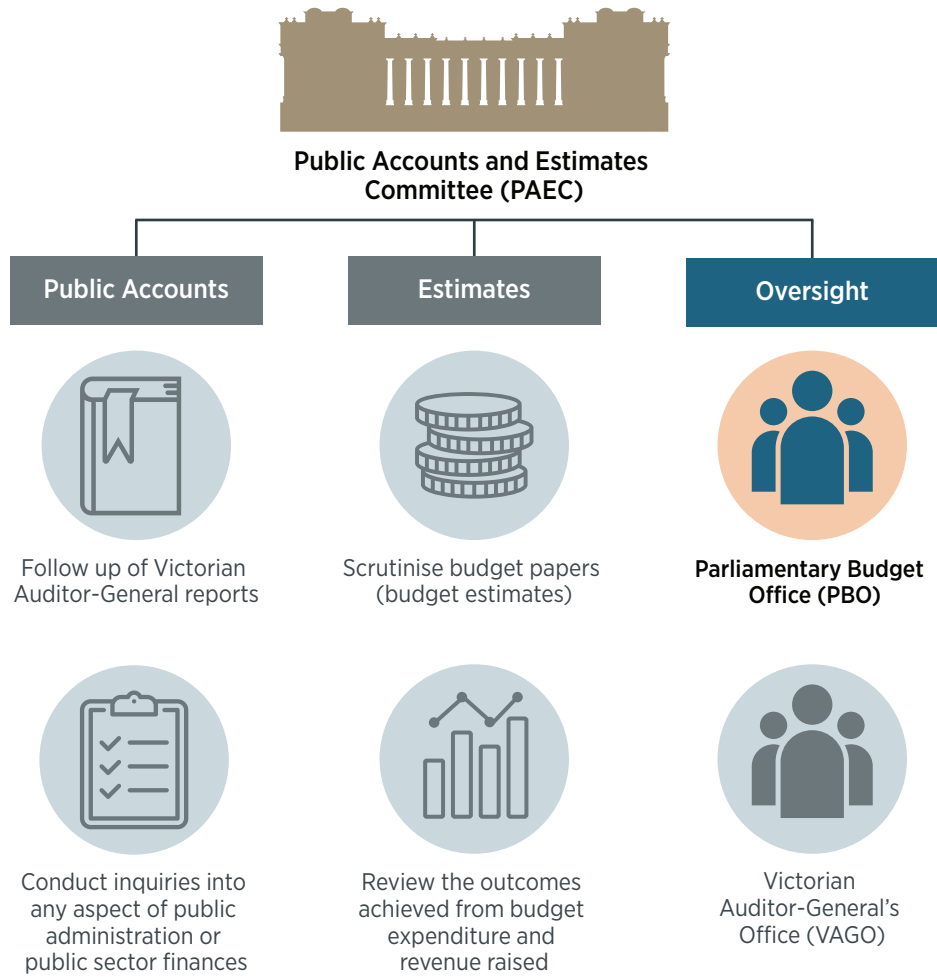
The Committee carries out investigations and reports to Parliament on matters associated with the financial management of the State, including:

- any proposal, matter or thing concerned with public administration or public sector finances
- the annual estimates or receipts and payments and other budget papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council
- audit priorities for the purposes of the *Audit Act 1994*.

Under the *Parliamentary Budget Officer Act 2017*, the Committee also has an oversight role regarding the Parliamentary Budget Officer (PBO). Under this Act the Committee is responsible for:

- recommending the appointment of the Parliamentary Budget Officer to the Minister
- reviewing the operational and resourcing arrangements of the office, including the draft budget of the PBO
- consulting with the Parliamentary Budget Officer on the office's operational plan
- reviewing reports of PBO operations and annual reports
- reviewing and assessing how well the PBO's functions are being performed
- reporting to the Parliament on any matter regarding operational and resourcing arrangements for the PBO that requires the attention of Parliament.

The context of the Committee's oversight work is illustrated below.



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This report is available on the Committee's website.



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# Terms of reference

## Inquiry into the Parliamentary Budget Officer

On 15 February 2021, the Public Accounts and Estimate Committee agreed that:

Pursuant to section 54(1) of the *Parliamentary Budget Officer Act 2017*, the Public Accounts and Estimates Committee:

- a. review the operational and resourcing arrangements for the Parliamentary Budget Officer, including reviewing the draft budget for the Officer
- b. review reports of PBO operations and annual reports
- c. review and assess how well the Parliamentary Budget Officer's functions are being performed
- d. report to both Houses of Parliament on any matter connected with the operational and resourcing arrangements for the Parliamentary Budget Officer that requires the attention of Parliament.

# Chair's foreword

On behalf of the Victorian Parliament, I am pleased to present the Committee's report for the Inquiry into the Parliamentary Budget Officer.

Under the *Parliamentary Budget Officer Act 2017*, the Committee is responsible for reviewing and assessing the effectiveness of the Parliamentary Budget Office (PBO). This inquiry is the Committee's first review of the PBO since its establishment.

The Committee held two days of public hearings and also received 12 public submissions from a range of Australian and international stakeholders. The Committee is grateful to all of the individuals and organisations who contributed to the inquiry.

To inform the inquiry, the Committee also considered how the legislative framework for the PBO aligns with the Organisation for Economic Co-operation and Development's best practice *Principles for Independent Fiscal Institutions*.

The report shows that the Parliamentary Budget Office has consistently met its performance targets and delivered high quality products and services to Members of Parliament.

The Committee has made several findings and recommendations and I am confident that this inquiry will contribute to the ongoing development and successful functioning of the PBO.

I would like to thank my fellow Committee members for their participation in this inquiry. I would also like to thank the Secretariat for supporting the Committee's work.



**Lizzie Blandthorn MP**  
**Chair**



# Executive summary

## Introduction

The Victorian Parliamentary Budget Office (PBO) was established via the *Parliamentary Budget Officer Act (2017)* on 1 July 2017. This legislation created the position of a Parliamentary Budget Officer as an Independent Officer of Parliament. The office provides policy costings and advice to Members of the Victorian Parliament.

The Public Accounts and Estimates Committee is responsible for reviewing the operational and resourcing arrangements for the PBO, and the performance of the Parliamentary Budget Office.<sup>1</sup> The Committee resolved on 15 February 2021 to undertake an inquiry into the Parliamentary Budget Officer. This is the first review of the Parliamentary Budget Officer and the PBO by the Committee since the passage of the Act.

The Committee gathered evidence from Victorian, Australian, and international agencies, through public hearings and called for written submissions. The Committee also examined best practice principles for independent institutions, including how the PBO's legislative framework aligned with the best practice Organisation for Economic and Co-operation and Development (OECD) *Principles for Independent Fiscal Institutions*.

## Functions and mandate

The Act explicitly directs the Parliamentary Budget Officer to inform policy development and public debate in Parliament and the Victorian community. The PBO's mandate to provide policy costings to Members of Parliament (MPs) is unique internationally. These policy costings are valued by MPs. In addition, the policy advice provided by the PBO strengthens MPs' understanding of budgetary matters. However, the PBO's mandate to provide policy advice may pose a potential risk to the independence of the Office.

The Committee identified several aspects of the Act that the Parliament could amend to further define the scope and work of the PBO.

## Performance

The Committee was advised that the PBO is professional, communicates effectively, and provides MPs with high quality products and services. The PBO met its performance targets in 2018–19 and 2019–20, although MP satisfaction has declined slightly from

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<sup>1</sup> Section 54(1) of the *Parliamentary Budget Officer Act (2017)*

a high base—95% to 89%—between 2018–19 and 2019–20. The PBO’s timeliness in responding to requests has remained high, with 96–97% of requests responded to on-time. The Committee was advised that the PBO regularly communicates with MPs to provide updates on its progress in responding to requests. The quality of work provided to MPs by the PBO was considered to be high.

The Committee found that there is an opportunity to revise some performance measures used by the PBO. It also found that there is currently no legislative requirement for the Parliamentary Budget Officer to prepare annual financial statements or have them audited, although the Parliamentary Budget Officer has approached the Victorian Auditor-General to undertake this task. In terms of oversight, there is an opportunity for the Parliament to amend the Act to provide for the regular review of the PBO’s operations, performance, resourcing and legislative functions.

## Operational arrangements

The Act provides that the Parliamentary Budget Officer is operationally independent and non-partisan, in line with the OECD Principles. The work of the PBO and Independent Fiscal Institutions more broadly depends on timely access to relevant and reliable information. In 2019–20, 75% of information requests from the PBO were responded to late or not at all by the public sector. There is no legislated recourse available for the Parliamentary Budget Officer when the public sector is late with, or does not respond to, an information request.

The Committee found that the Act could specify the kinds of information that can be requested and accessed by the PBO. In addition, the Act does not set out confidentiality requirements for public sector bodies that receive information requests from the PBO.

## Resourcing arrangements

The Act does not specify a process for determining the PBO’s budget, or funding levels for the performance of the Parliamentary Budget Officer’s functions. As a result, the Parliamentary Budget Officer must comply with the annual appropriation process established by the *Financial Management Act 1994 (Vic)* and participate in the Executive budgetary process. Whilst the Public Accounts and Estimates Committee has statutory obligations to review the Parliamentary Budget Officer’s draft budget under Section 54 (1b) of the Act, and does so effectively, the Committee has no role in the ultimate allocation of funding.

Since its establishment in 2017–18, the annual budget of the PBO has been maintained at a fixed rate of \$3.3 million, with the PBO consistently operating within its allocated budget. The 2021–22 Victorian State Budget allocated \$900,000 in surge funding to the PBO in the 2022–23 financial year to meet state election related costs. Although the PBO’s budget is not subject to the 2.5% general efficiency dividend, the annual increase in the PBO’s operating costs, such as rent, has resulted in the reduction of one full-time resource each year for the office to continue functioning within its fixed yearly budget.

# Findings and recommendations

## 2 Functions and mandate

**FINDING 1:** The election policy costing functions of the PBO were considered valuable by political parties in the 2018 election costing period. 12

**FINDING 2:** For the 2018 election period, the Parliamentary Budget Office prepared 215 election policy costings, 829 publicly announced election policy costings and six pre- and post-election reports. 14

**FINDING 3:** Compared to international Parliamentary Budget Offices, the Victorian Parliamentary Budget Office has a unique and strong mandate to provide policy costings to Members of Parliament. 15

**FINDING 4:** The Parliamentary Budget Officer's mandate to deliver policy advice can assist parliamentarians gain a better understanding of budgetary matters. 17

**FINDING 5:** The Parliamentary Budget Officer's mandate to provide policy advice may pose a potential risk to the independence of the Office. 17

**RECOMMENDATION 1:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017 (Vic)* to define the role of the Parliamentary Budget Office in relation to public awareness advice. 18

**FINDING 6:** There is precedent in the OECD network for a Parliamentary Budget Office to have a mandate to conduct self-initiated research. 20

**FINDING 7:** Although the Parliamentary Budget Officer is mandated to inform policy development and public debate in Parliament and the Victorian community, the *Parliamentary Budget Officer Act 2017* does not have a clear mandate to publish self-initiated research. 20

**RECOMMENDATION 2:** The Parliament consider whether it is appropriate to amend the *Parliamentary Budget Officer Act 2017 (Vic)* to provide a mandate for the Parliamentary Budget Officer to publish self-initiated research. 20

**RECOMMENDATION 3:** The Parliament consider whether it is appropriate to amend the *Parliamentary Budget Officer Act 2017* to allow the Parliamentary Budget Office to provide assistance to parliamentary committees. 21

**RECOMMENDATION 4:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017 (Vic)* to include a mandate for the Parliamentary Budget Officer to conduct an assessment of the Budget. 22

**RECOMMENDATION 5:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017 (Vic)* to include a mandate for the Parliamentary Budget Office to cost budget policies. 23

### 3 Performance

**FINDING 8:** The Parliamentary Budget Office met its performance targets in 2018–19 and 2019–20. 26

**FINDING 9:** The Parliamentary Budget Office’s performance measure for ‘requests responded to by a due date’ does not capture all of the requests made by Members of Parliament, as nominating a critical response date is at the discretion of the Member of Parliament making the request. 27

**RECOMMENDATION 6:** The Parliamentary Budget Office record the number of Member of Parliament requests not assigned a critical response date, and include this in its Annual Report. 27

**FINDING 10:** Members of Parliament are the key stakeholders of the Victorian Parliamentary Budget Office. Stakeholder’s overall satisfaction with the Parliamentary Budget Office has declined slightly from a high base—95% to 89%—between 2018–19 and 2019–20. 28

**FINDING 11:** Some Members of Parliament have raised concerns regarding the Parliamentary Budget Office’s timely access to information, but those same Members of Parliament do not consider the office responsible for the delays and satisfaction with the office remains very high. 29

**FINDING 12:** The PBO has conducted its work and engagement with Members of Parliament in a professional manner since the office was established. 30



**FINDING 13:** The PBO regularly communicates with Members of Parliament to provide updates on the progress in responding to requests. This is in line with protocols established by the PBO. 31

**FINDING 14:** The Parliamentary Budget Office provides Members of Parliament with high quality products and services. 32

**FINDING 15:** International best practice establishes that Independent Fiscal Institutions have legislated or external measures to ensure that external reviews into their performance and functions are conducted. 37

**RECOMMENDATION 7:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017* (Vic) to provide for regular review of the Parliamentary Budget Office's operations, performance, resourcing, and legislative functions. 37

**FINDING 16:** There is currently no legislative requirement that the Parliamentary Budget Officer prepare annual financial statements or have them audited. 39

**RECOMMENDATION 8:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017* (Vic) to require that the audited financial statements of the Parliamentary Budget Office be included in its annual report of operations. 39

## 4 Operational arrangements

**FINDING 17:** The *Parliamentary Budget Officer Act 2017* provides protections to ensure that the Parliamentary Budget Officer is operationally independent and non-partisan, and has the freedom to hire staff. 42

**FINDING 18:** The establishment of memorandums of understanding providing for information supply under Section 25 of the *Parliamentary Budget Officer Act 2017* (Vic) (the Act) allow timeframes for information requests to be negotiated that are greater than the three business days legislated for requests made under Section 26 of the Act. 45

**FINDING 19:** The Parliamentary Budget Office's establishment of memorandums of understanding with public sector bodies has improved information supply from these bodies. However, in 2019–20 requests under these arrangements represented only 4% of total information requests. 45

**FINDING 20:** In 2019–20, 75% of responses to requests breached Section 26(3) of the *Parliamentary Budget Officer Act 2017* (Vic). The three departments with the highest proportion of late and/or nil responses in 2019–20 were the Department of Transport, the Department of Treasury and Finance, and the Department of Jobs, Precincts and Regions. 47

**FINDING 21:** Delays in public sector responses to information requests from the Parliamentary Budget Office have negatively impacted the work of some Members of Parliament, including their contributions to parliamentary debates and informing election costings. 48

**FINDING 22:** There is no legislated recourse available for the Parliamentary Budget Officer when the public service is late with, or does not respond to, an information request. 49

**FINDING 23:** A legislated mechanism that provides recourse to the Parliamentary Budget Officer has improved the overall supply of information in other jurisdictions. 49

**RECOMMENDATION 9:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017* (the Act) to provide a means of recourse where responses to information requests are not received or breach Section 26(3) of the Act. 49

**FINDING 24:** An established culture within public sector bodies that facilitates and respects cooperation, access to information, transparency, and accountability, is a key prerequisite to ensuring a Parliamentary Budget Officer can effectively fulfil their mandate. 50

**RECOMMENDATION 10:** The Executive consider the approval of protocols that clearly outline expectations of how information held by the Victorian public sector will be shared with the Parliamentary Budget Officer, including timeframes for responses, confidentiality, and levels of access. 51

**FINDING 25:** The *Parliamentary Budget Officer Act 2017* (Vic) could be more specific in the kinds of information that can be requested and accessed by the Parliamentary Budget Officer. 52

**RECOMMENDATION 11:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017* (Vic) to further outline the kinds of information that can be accessed by the Parliamentary Budget Officer. 53

**FINDING 26:** The *Parliamentary Budget Officer Act 2017 (Vic)* does not set out confidentiality requirements for public sector bodies that receive information requests from the PBO. 53

**FINDING 27:** There is a perceived risk to the confidentiality of requests from Members of Parliament when the PBO is seeking information from the public sector which is considered by the PBO to translate into member hesitancy in using the services of the Parliamentary Budget Office. 54

**FINDING 28:** At the Federal level, in the absence of a legislative requirement, a protocol established by the head of a government has been an effective way to maintain the confidentiality of Member of Parliament requests to the Parliamentary Budget Officer. 55

**RECOMMENDATION 12:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017 (Vic)*, or the Executive consider the implementation of protocols, in order to introduce confidentiality requirements on public sector bodies and public sector body heads when dealing with the Parliamentary Budget Office's requests for information and documents. 55

**FINDING 29:** The Parliamentary Budget Office has complied with its transparency requirements under the *Parliamentary Budget Officer Act 2017 (Vic)*. 57

## 5 Resourcing arrangements

**FINDING 30:** The *Parliamentary Budget Officer Act 2017 (Vic)* does not specify a process for determining the PBO's budget, or funding levels for the performance of the office's functions. 60

**FINDING 31:** The PBO must comply with the annual appropriation process established by the *Financial Management Act 1994 (Vic)*, managed by the Department of Treasury and Finance and participate in the Executive budgetary process. Whilst the Public Accounts and Estimate Committee has statutory obligations to review the Parliamentary Budget Officer's draft budget under Section 54 (1b) of the *Parliamentary Budget Officer Act 2017 (Vic)* and does so effectively, the Committee has no role in the ultimate allocation of funding. 62

**FINDING 32:** Principle 4.1 of the Organisation for Economic Cooperation and Development’s (OECD) Recommendation on *Principles for Independent Fiscal Institutions* includes the requirement that they have a separate budget line and multi-annual funding. Across OECD countries that have a Parliamentary Budget Office at the national or subnational level, only the Commonwealth PBO fully aligns with the principle. 63

**RECOMMENDATION 13:** The Parliament consider amending the *Parliamentary Budget Officer Act (2017)* (Vic) to provide for greater financial independence. 65

**FINDING 33:** Since its establishment in 2017–18, the Parliamentary Budget Office has operated within its allocated budget. 67

**RECOMMENDATION 14:** The Parliament consider amending the *Parliamentary Budget Officer Act (2017)* (Vic) to provide for surge funding in the financial years prior to and including an election, to allow the Parliamentary Budget Office to appropriately plan for an election costing period. 68

**FINDING 34:** Since its establishment, the annual budget of the Parliamentary Budget Office (PBO) has been maintained at the fixed rate of \$3.3 million. The PBO’s budget is not indexed to inflation and is not subject to the 2.5% general efficiency dividend like most Victorian Government departments and agencies. 70

**FINDING 35:** The annual increase in the Parliamentary Budget Office (PBO)’s operating costs has resulted in the reduction of one full-time resource each year for the office to continue functioning within its fixed yearly budget of \$3.3 million. The PBO commenced operations with 16 full-time staff in 2018 which has reduced to 14 full-time staff by 2021. 71

**FINDING 36:** The strategies implemented by the Parliamentary Budget Officer in response to the increasing operational costs associated with the office are reported to have constricted the Parliamentary Budget Office’s productivity and service quality. 72

**FINDING 37:** To best meet client needs within its fixed budget, the Parliamentary Budget Office engages with members of Parliament to register their ideas and prioritise their requests. This approach allows the PBO to operate at capacity and removes the need for use of its prioritisation framework. 72

**FINDING 38:** The Parliamentary Budget Office undertakes prioritisation practices and uses information technology and corporate management systems to increase its efficiency.

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# Acronyms

DTF	Department of Treasury and Finance
ERC	Expenditure Review Subcommittee
EU	European Union
FTE	Full-time Equivalent
IFI	Independent Fiscal Institution
IT	Information Technology
JCPAA	Joint Committee of Public Accounts and Audit
MoU	Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
PBO	Parliamentary Budget Office
PSB	Public Sector Body
SRO	State Revenue Office
VAGO	Victorian Auditor-General's Office
VSB	Victorian Secretaries Board

## 1.1 Background

Independent Fiscal Institutions (IFIs) are publicly funded, independent bodies that provide non-partisan oversight and analysis of, and in some cases advice on, fiscal policy and performance.<sup>1</sup> According to the Organisation for Economic Co-operation and Development (OECD), a Parliamentary Budget Office (PBO), such as the Victorian PBO that was established in 2017, is a type of IFI. Most OECD-member countries have established IFIs. Today, IFIs are considered among the most important innovations in the emerging architecture of public financial management, as they foster fiscal responsibility, accountability and transparency.<sup>2</sup>

Under Section 54 of the *Parliamentary Budget Officer Act 2017* (Vic), the Public Accounts and Estimates Committee has an oversight role regarding the PBO. On 15 February 2021, it established the following Terms of Reference for the inquiry into the Victorian Parliamentary Budget Officer:

- a. review the operational and resourcing arrangements for the Parliamentary Budget Officer, including reviewing the draft budget for the Officer
- b. review reports of PBO operations and annual reports
- c. review and assess how well the Parliamentary Budget Officer's functions are being performed
- d. report to both Houses of Parliament on any matter connected with the operational and resourcing arrangements for the Parliamentary Budget Officer that requires the attention of Parliament.

The report is due to be tabled by 17 August 2021.

This is the first review of the Parliamentary Budget Officer and the PBO by the Committee since the passage of the Act.

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<sup>1</sup> Organisation for Economic Cooperation and Development (OECD), *OECD Recommendation of the Council on principles for independent fiscal institutions*, Organisation for Economic Cooperation and Development, Paris, 2014, p. 1.

<sup>2</sup> Lisa von Trapp and Scherie Nicol, *Designing effective independent fiscal institutions (IFIs)*, Organisation for Economic Cooperation and Development, Paris, 2018, p. 1.

## 1.2 Establishment of the Victorian Parliamentary Budget Office

Although a Commonwealth PBO was established in 2012, Victoria was the first Australian state or territory to enact legislation to establish a permanent PBO.<sup>3</sup> The office of the Victorian Parliamentary Budget Officer was established via the *Parliamentary Budget Officer Act (2017)* (the Act) on 1 July 2017. This legislation created the position of a Parliamentary Budget Officer as an independent officer of Parliament, and an office to provide policy costings and advice to Members of the Victorian Parliament. Mr Anthony Close was appointed as the first Victorian Parliamentary Budget Officer for a five-year term on 23 April 2018.

Prior to the establishment of the PBO, political parties could only request policy costings during general election periods from the Department of Treasury and Finance (DTF) or commission such work externally from the private sector. Due to perceptions of the DTF serving the government of the day, the opposition and minor parties were hesitant to use this service.<sup>4</sup> The establishment of the PBO is intended to provide all political parties with access to independent policy costings and advice outside of and during election periods.<sup>5</sup>

Reflecting this intent, during the passage of the Act the Treasurer stated that the establishment of the PBO was ‘a great advance in terms of the way that our parliamentary democracy operates.’<sup>6</sup> The Treasurer stated that the PBO would support open and democratic government by ‘levelling the playing field in relation to financial expertise between government and the opposition, minor parties and independent MPs’.<sup>7</sup>

## 1.3 Legislated objectives and functions of the Parliamentary Budget Officer

Section 5 of the Act sets out the objectives of the Parliamentary Budget Officer. These are:

- For Members of Parliament to be provided with ongoing, authoritative, independent and credible policy costing and advisory services.
- For those policy costing and advisory services to be delivered in a timely, relevant and readily understandable manner.

<sup>3</sup> A Parliamentary Budget Office has been established in New South Wales, however it only operates for a nine-month period from the first day of September prior to the state election.

<sup>4</sup> Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, report for the Organisation for Economic Cooperation and Development, Paris, 2019, p. 10.

<sup>5</sup> *Ibid.*, p. 4.

<sup>6</sup> Victoria, Legislative Assembly, 20 June 2017, *Parliamentary debates*, Book 8, p. 1877.

<sup>7</sup> Victoria, Legislative Assembly, 25 February 2016, *Parliamentary debates*, Book 2, p. 658.



- To inform policy development and public debate in Parliament and the Victorian community.<sup>8</sup>

During each general election period, the PBO is open to providing policy costings for all political parties. The current government has not requested or received published policy costings from the PBO.<sup>9</sup> The reports produced through this process are published post-election on the PBO website. Section 41 of the Act states that the Parliamentary Budget Officer must prepare a post-election report on the policies of each parliamentary leader, whether or not those policies were the subject of an election policy costing request.<sup>10</sup>

The Parliamentary Budget Officer must also prepare a report of the PBO's operations during an election costing period.<sup>11</sup> The election costing operations report includes information such as the cost of operations, number of staff, policy requests and issues or problems encountered by the office.

Outside of election periods, Members of Parliament can request policy costings and advice from the Parliamentary Budget Officer. Policy costings and advice requested by Members outside election periods are confidential unless publication is specified by the requesting Member. When Members request publication of PBO-prepared reports, these are published on the PBO's website.<sup>12</sup>

The PBO has also published public awareness advice under Section 47 of the Act. This advice is typically more general in nature, has been requested by more than one Member and is prepared with Members' expectation of release.<sup>13</sup> For example, the onset of the COVID-19 pandemic and associated policies and public health directives announcements led to the PBO establishing the 'COVID-19 policy tracker'. This initiative monitored the Victorian Government's policy response to the pandemic between 3 March 2020 and 31 October 2020.<sup>14</sup>

## 1.4 Operational planning

Section 22 of the Act states that the Parliamentary Budget Officer, in consultation with the Committee, must prepare an operational plan for each financial year. This must occur before the commencement of that financial year, unless an extension period applies, and must be submitted to each House of Parliament after preparation.<sup>15</sup>

<sup>8</sup> *Parliamentary Budget Officer Act 2017 (Vic)* s 5.

<sup>9</sup> Parliamentary Budget Office, *Published Policy Costings*, 2021, <[https://pbo.vic.gov.au/Published\\_policy\\_costings](https://pbo.vic.gov.au/Published_policy_costings)> accessed 26 May 2021.

<sup>10</sup> *Parliamentary Budget Officer Act 2017 (Vic)* s 41(1).

<sup>11</sup> *Ibid.*, s 27(1).

<sup>12</sup> *Ibid.*, s 3(4)(a).

<sup>13</sup> Parliamentary Budget Office, *Public awareness advice*, 2021, <[https://pbo.vic.gov.au/Public\\_awareness\\_advice](https://pbo.vic.gov.au/Public_awareness_advice)> accessed 14 April 2021.

<sup>14</sup> Parliamentary Budget Office, *The COVID-19 pandemic – Victorian government policy response*, 2021, <[https://pbo.vic.gov.au/COVID-19\\_pandemic\\_-\\_Victorian\\_government\\_policy\\_response#tracker](https://pbo.vic.gov.au/COVID-19_pandemic_-_Victorian_government_policy_response#tracker)> accessed 20 April 2021.

<sup>15</sup> *Parliamentary Budget Officer Act 2017 (Vic)* s 22(5).

The operational plan for the financial year must set out:

- The priorities of the Parliamentary Budget Officer.
- An outline of the PBO protocols prepared or to be prepared.
- Any other matters that the Parliamentary Budget Officer, in consultation with the Committee, considers appropriate.<sup>16</sup>

The Parliamentary Budget Officer's operational plans are published on the PBO's website.

### Strategic priorities

For the first two years of the PBO, the office's strategic priorities were:

- Develop talent—increase knowledge sharing and professional development.
- Establish trusted and valued services—understand political party policy development approaches and extend quality assurance practices.
- Build relationships based on value—promote services to Members of Parliament, respond to Parliamentary stakeholder feedback and identify opportunities to improve public debate.
- Strengthen foundations for the future—improve public sector information supply and work with PAEC to align legislation with better practice.<sup>17</sup>

In 2020–21, the PBO's strategic priorities changed in recognition of the more established nature of the office. They are to:

- Enhance relationships and the value provided by the PBO—engage with Members of Parliament and continuously improve our approaches and outputs, and increase knowledge sharing and professional development of staff.
- Prepare for and deliver 2022 general election services—engage with Parliamentary leaders to integrate PBO services into their election planning and establish and implement a 2022 general election plan.<sup>18</sup>

'Strengthening foundations for the future' was retained as a priority for the PBO.<sup>19</sup>

<sup>16</sup> Ibid., s 23(1).

<sup>17</sup> Parliamentary Budget Office, *Operational plan 2019–20: our priorities*, 2019, <[https://pbo.vic.gov.au/operational\\_plan\\_2019-20#priorities](https://pbo.vic.gov.au/operational_plan_2019-20#priorities)> accessed 14 April 2021.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

## 1.5 The Public Accounts and Estimates Committee's functions and the PBO

Section 54 of the Act states that the Public Accounts and Estimates Committee has the following functions:

- To recommend to the Minister the appointment and terms and conditions of the PBO.
- To review the operational and resourcing arrangements for the PBO, including reviewing the draft budget for the Officer.
- To consult with the PBO on an operational plan.
- To review reports of PBO operations and annual reports.
- To review and assess how well the PBO's functions are being performed.
- To report to both Houses of Parliament on any matter connected with the operational and resourcing arrangements for the PBO that requires the attention of Parliament.

As set out in Section 54(2) of the Act, the Committee has no authority to direct the activities of the PBO, or to question policy costings, a pre-election report, a post-election report or information contained in an analysis, advice or a briefing.

## 1.6 The Committee's approach to its inquiry

### 1.6.1 Sources of evidence

The Committee's approach to the inquiry has involved evidence gathering and analysis of information sourced from Victorian, domestic and international agencies. In making its findings and recommendations, the Committee has considered evidence taken at public hearings held on 26 and 27 April 2021, and submissions from independent officers of the Victorian Parliament, Victorian Members of Parliament, the Victorian Public Service, and international IFI representatives and experts (Appendix A).

As Members of Parliament are the primary stakeholders of the PBO, the Committee invited the Acting Premier and leaders of the Liberal Party and Greens Party to attend the public hearings and provide the Committee with information regarding their use of the PBO's services. The Victorian Treasurer was invited to provide evidence, as the Minister responsible for the Act.

In addition, the Committee invited a number of secretaries from government departments to provide evidence to the inquiry. The Committee notes that the Secretary of DTF represented the whole of Government at the inquiry.

During the course of his term, the Parliamentary Budget Officer has maintained regular correspondence with the Committee to inform it in a timely manner of any significant matters that are impacting on (or may impact on) the PBO's service performance.

The Parliamentary Budget Officer has written to the Committee on six occasions between 2019–2021 to identify the following issues as impacting the PBO's operations and effectiveness:

- Fulfilment of information requests by the PBO from public sector agencies.
- Timeliness and usefulness of information provided to the PBO by public sector agencies.
- Ensuring the confidentiality of Member of Parliament requests is maintained when seeking information and documents from the public sector.
- Perceived risk to the PBO's independence due to required participation in the Executive's budgetary process.
- The impact of fixed funding arrangements on the resourcing of the PBO.<sup>20</sup>

This correspondence has also informed the Committee's report.

## 1.6.2 Best practice principles for Independent Fiscal Institutions

In 2019, the OECD's Budgeting and Public Expenditure Division undertook a review of the Victorian PBO. This framework assisted the Committee in evaluating the mandate, operational arrangements, resourcing and performance of the Parliamentary Budget Officer and the PBO.

The review assessed how the PBO's legislative framework aligned with the *OECD Principles for Independent Fiscal Institutions*. The Principles seek to reinforce the core values that IFIs both promote and operate under—*independence, non-partisanship, transparency and accountability*—while 'demonstrating technical competence and producing relevant work of the highest quality that stands up to public scrutiny and informs the public debate' (Figure 1.1).<sup>21</sup>

<sup>20</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, correspondence, 11 March 2020, 31 March 2020, 22 June 2020, 30 September 2020, 29 January 2021, 19 March 2021.

<sup>21</sup> Organisation for Economic Cooperation and Development, *OECD Recommendation of the Council on principles for independent fiscal institutions*, introduction.

**Figure 1.1** Organisation for Economic Cooperation and Development Principles for Independent Fiscal Institutions



Source: Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, report for the Organisation for Economic Cooperation and Development, Paris, 2019, p. 9.

The review found that while the PBO's legislation reflected local ownership, independence and non-partisanship, and communications, other principles were partially addressed or lacking altogether.<sup>22</sup> In particular, the OECD found that:

- There is no legislated mandate for the Parliamentary Budget Officer to undertake self-initiated research. This capacity is a key determinate of legislation aligning with the OECD's Principle regarding mandate.<sup>23</sup>
- The PBO's annual budget is currently subject to the Executive's budgetary process. This does not meet the IFI Principle regarding resourcing, which outlines that best practice would see the Parliamentary Budget Officer determining an annual budget in consultation with the Committee.<sup>24</sup>
- There is a lack of legislative power for the Parliamentary Budget Officer guaranteeing access to information from public sector agencies, including a lack of protection around the PBO's confidentiality.<sup>25</sup>

<sup>22</sup> Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review*, p. 4.

<sup>23</sup> *Ibid.*, pp. 4–5, 33.

<sup>24</sup> *Ibid.*, p. 23.

<sup>25</sup> *Ibid.*, p. 32.

### **1.6.3 Report structure**

Chapter 2 of this report examines the PBO's mandate, while Chapter 3 examines the performance to date of the Parliamentary Budget Officer and PBO. Chapter 4 considers the operational arrangements for the PBO. Chapter 5 addresses the resourcing arrangements.

# 2 Functions and mandate

## 2.1 Introduction

This chapter examines the mandate and functions of the Victorian Parliamentary Budget Office (PBO). The Committee considered the various functions of the PBO and assessed whether there are opportunities to improve its mandate.

The Committee undertook an analysis of each of the PBO's functions and considered to what extent they allow the PBO to achieve its legislated objectives. In conducting this analysis, the Committee also weighed up any potential risks that the PBO faces in discharging its functions. Internationally best practice principles were also utilised to gauge how well the PBO's functions and mandate compare to established models for Independent Fiscal Institutions (IFIs).

## 2.2 Background

The PBO was established under the *Parliamentary Budget Officer Act 2017* (Vic) (the Act) to provide policy costing and advisory services to members of the Victorian Parliament. The legislation was enacted following a commitment to establish a PBO during the 2014 State Election.<sup>1</sup>

The Parliamentary Budget Officer Bill 2017 was developed by the Department of Treasury and Finance (DTF), with the Act falling under the responsibility of the former Special Minister of State.<sup>2</sup> In March 2020, responsibility for the Act was transferred to the Treasurer.<sup>3</sup>

Under the Act, the functions of the Parliamentary Budget Officer are:

- To prepare election policy costings, pre-election reports and post-election reports.
- To prepare costings of other policies.
- To provide other services to Members of Parliament.
- The functions conferred under the Parliamentary Administration Act 2005.<sup>4</sup>

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<sup>1</sup> Department of Treasury and Finance, *Submission 5*, received 23 April 2021, p. 2.

<sup>2</sup> *Ibid.*, p. 2.

<sup>3</sup> *Ibid.*, p. 2.

<sup>4</sup> *Parliamentary Budget Officer Act 2017* (Vic) s 7(1).

The objectives of the Act, as explained in Chapter 1 are:

- For Members of Parliament to be provided with ongoing, authoritative, independent and credible policy costing and advisory services.
- For those policy costing and advisory services to be delivered in a timely, relevant and readily understandable manner.
- To inform policy development and public debate in Parliament and the Victorian community.<sup>5</sup>

### 2.2.1 Functions of Independent Fiscal Institutions

The PBO, along with other legislative budget offices, falls within the category of an independent fiscal institution (IFI). The mandates and functions of IFIs can differ according to jurisdiction and context, but generally entail assessing and preparing macroeconomic and fiscal forecasts, and monitoring and evaluating fiscal policy and outcomes.<sup>6</sup> By making their analysis public, IFIs can foster greater transparency and accountability around public spending while enhancing public debate.<sup>7</sup>

IFIs can broadly be divided into two categories: fiscal councils and legislative budget offices. Fiscal councils are often a statutory authority of the executive government or a standalone public organisation, with a broad mandate to analyse government fiscal policy decisions and play a key role in informing public debate.<sup>8</sup> Fiscal councils serve the public, rather than the legislature.<sup>9</sup>

In contrast, legislative budget offices such as the PBO act as a legislative agency with a narrower mandate that focus on serving the legislature in their fiscal analysis and policy costings. Although each office differs in their mandate and functions, some core functions are generally prescribed to legislative budget offices, including:

- Policy costings.
- Long-term fiscal projections.
- Self-directed research.
- Support to the legislature in budget analysis.

### 2.2.2 International best practice principles

The *OECD Review of the Victorian Parliamentary Budget Office* was commissioned in 2018 by the Parliamentary Budget Officer. It assessed the extent to which the PBO's legislative framework allows it to function in line with the *OECD Principles for*

<sup>5</sup> Ibid., s 5(1).

<sup>6</sup> Organisation for Economic Cooperation and Development, *Designing effective independent fiscal institutions*, 2018, Paris, p. 1.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid., p. 4.

<sup>9</sup> Ibid.



*Independent Fiscal Institutions* (the Principles). Principle 3 covers the mandate and functions of IFIs, stating:

- The mandate should be defined in legislation, including types of reports and analysis they are to produce, who may request them and timelines for release.
- IFIs should have the scope to produce reports and analysis at their own initiative and autonomy to determine their own work programme within their mandate.
- Clear links to the budget process should be established within the mandate.<sup>10</sup>

The OECD's review found that although the current Victorian legislation provides for accountability of the PBO to the Parliament, it prevents the PBO from supporting the work of parliamentary committees, including the Public Accounts and Estimates Committee (the Committee).<sup>11</sup> Further, the OECD found that the PBO's enabling legislation does not provide for the public release of self-initiated outputs, limiting its ability to achieve its objective to inform policy development and public debate. The OECD concluded that gaps in legislation prevent the PBO from effectively aligning with the OECD Principles in relation to its mandate.<sup>12</sup> The OECD made the following recommendations:

- To strengthen its independence and align with international norms, the PBO's legislation should clearly include provisions for it to undertake and publish work at its own initiative.
- Consideration should be given to expanding the PBO's mandate to include independent oversight functions relating to the budget process and to consider requests from parliamentary committees.
- In line with the goal of levelling the playing field between the government of the day and political parties seeking to form government, and to underpin the role of the PBO as an independent and non-partisan assessor, the PBO should be the sole provider of election costings for all parties.<sup>13</sup>

## 2.3 Policy costings

Sections 37 and 44 of the Act state that Members of Parliament can request policy costings from the PBO both during and outside election periods.<sup>14</sup> A policy costing provides an independent assessment of the likely changes to key financial indicators if a policy is implemented. The PBO provides a summary of the policy proposed 'with the focus being to identify the estimated impact to the latest Victorian budget or budget update.'<sup>15</sup>

<sup>10</sup> Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, report for the Organisation for Economic Cooperation and Development, Paris, 2019, p. 7.

<sup>11</sup> *Ibid.*, p. 24.

<sup>12</sup> *Ibid.*, p. 5.

<sup>13</sup> *Ibid.*

<sup>14</sup> *Parliamentary Budget Officer Act 2017* (Vic) s 7(1)(a)(b).

<sup>15</sup> Parliamentary Budget Office, *Our services*, 2021, <[https://pbo.vic.gov.au/Our\\_services](https://pbo.vic.gov.au/Our_services)> accessed 13 May 2021.

There are two types of policy costings prepared by the PBO: election policy costings and costings requested outside of election periods.<sup>16</sup>

### 2.3.1 Election policy costings

Section 37 of the Act states that the PBO is to prepare election policy costings at the request of parliamentary leaders. In 2018, the election costing period ran from 1 May 2018 to 22 November 2018.<sup>17</sup> Section 43 of the Act states that during an election costing period, election policy costings must be prioritised over non-election policy requests.<sup>18</sup> As set out in the *Report of PBO operations for the 2018 Victorian general election* (Report of PBO operations), the PBO prepares costing responses for two types of election policies:

- those requested by parliamentary leaders, and
- those publicly announced by parliamentary leaders prior to the general election.<sup>19</sup>

At the public hearings the Committee was advised by several parties that they used the PBO's election policy costing services. The Victorian Greens stated they submitted all their policies to the PBO to be costed and publicly released each costing as policies were announced.<sup>20</sup> In a submission to the inquiry, Mr Stuart Grimley MP from Derryn Hinch's Justice Party noted that the PBO's costing services helped to level the playing field between major and minor parties, which meant that 'minor parties can put together realistic proposals for re-election.'<sup>21</sup>

**FINDING 1:** The election policy costing functions of the PBO were considered valuable by political parties in the 2018 election costing period.

#### Pre-election reports

Section 39 of the Act states that a parliamentary leader can request a pre-election report from the PBO. The report must:

- List the policies covered by the report.
- Summarise the information provided by the parliamentary leader.
- Set out the impact of those policies on the forward budget estimates and key financial indicators contained in the most recent financial report or budget update.<sup>22</sup>

<sup>16</sup> *Parliamentary Budget Officer Act 2017* (Vic) s 36, s 44.

<sup>17</sup> Parliamentary Budget Office, *Report of PBO operations for the 2018 Victorian general election*, Parliamentary Budget Office, Melbourne, 2019, p. 4.

<sup>18</sup> *Parliamentary Budget Officer Act 2017* (Vic) s 43.

<sup>19</sup> Parliamentary Budget Office, *Report of PBO operations for the 2018 Victorian general election*, pp. 2, 7.

<sup>20</sup> Dr Samantha Ratnam MLC, Leader, Victorian Greens, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 2.

<sup>21</sup> Mr Stuart Grimley MP, *Submission 3*, received 22 April 2021, p. 1.

<sup>22</sup> *Parliamentary Budget Officer Act 2017* (Vic) s 39.

The PBO prepared three pre-election reports for the 2018 State Election. Fiona Patten's Reason Party requested that the pre-election report prepared by the PBO be publicly released. The remaining two reports remained confidential to the parliamentary leaders who submitted the request.<sup>23</sup>

### Post-election reports

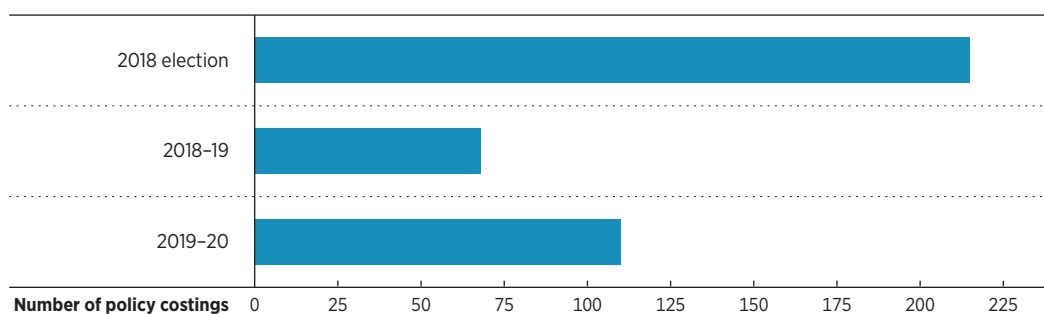
Section 41 of the Act states that the PBO must prepare a post-election report on the policies of each parliamentary leader that were publicly announced before the election. Each report must:

- List the policies covered by the report.
- Set out the impact of those policies on the forward budget estimates and key financial indicators contained in the most recent financial report or budget update.
- Be publicly released within two months of the election.<sup>24</sup>

The PBO prepared three post-election reports for the 2018 election which were published on its website in January 2019. Two were individual reports of Victorian Labor and Victorian Liberal and National Party policies. The third was a summary comparing the election policies, key fiscal indicators and financial impact of the Victorian Labor Party and Victorian Liberal and National Party.<sup>25</sup>

Given the increase in functions, the PBO's workload during an election period becomes significantly higher than outside election periods. Figure 2.1 highlights the difference in reports produced by the PBO during the 2018 election compared to the financial years of 2018–19 and 2019–20.

**Figure 2.1** Parliamentary Budget Office policy costings during election and non-election periods



Source: Parliamentary Budget Office, *Annual Report 2018–19*, October 2019, p. 2.; Parliamentary Budget Office, *Annual Report 2019–20*, October 2020, p. 5.

<sup>23</sup> Parliamentary Budget Office, *Report of PBO operations for the 2018 Victorian general election*, p. 8.

<sup>24</sup> *Parliamentary Budget Officer Act 2017* (Vic) s 41.

<sup>25</sup> Parliamentary Budget Office, *Report of PBO operations for the 2018 Victorian general election*, p. 9.

At the public hearings on 26 April 2021, the Parliamentary Budget Officer informed the Committee of the substantial outputs delivered by the PBO during the 2018 election costing period:

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.<sup>26</sup>

The Committee notes the importance of the PBO's mandate regarding the election costing period and the high volume of outputs produced by the PBO.

**FINDING 2:** For the 2018 election period, the Parliamentary Budget Office prepared 215 election policy costings, 829 publicly announced election policy costings and six pre- and post-election reports.

### 2.3.2 Non-election costing periods

Section 44 of the Act states that a Member of Parliament can request the PBO to prepare a costing of a policy or a proposed policy. The costing prepared by the PBO must:

- Summarise the policy.
- Summarise the information provided to the PBO by the Member of Parliament.
- Set out the material net financial impact of the policy on the forward budget estimates and key financial indicators contained in the most recent financial report or budget update.<sup>27</sup>

The PBO noted in its 2019–20 Annual Report that:

The number of members using our services—and the political parties they represent—more than doubled this year compared to last ... The overall increase in client numbers was despite new requests dropping significantly in the last quarter of the financial year, coinciding with the uncertainty caused by the COVID pandemic.<sup>28</sup>

The content of policy costing reports remains confidential unless a Member of Parliament requests that the costing be publicly released by the PBO.

<sup>26</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, pp. 2–3.

<sup>27</sup> *Parliamentary Budget Officer Act 2017* (Vic) s 45(2).

<sup>28</sup> Parliamentary Budget Office, *Annual Report 2019–20*, Parliamentary Budget Office, Melbourne, 2020, p. 1.

The Committee received evidence relating to the value of the PBO's policy costing service. The Leader of the Victorian Greens advised that the party regularly makes policy costing requests of the PBO to assist them with policy development, stating that 'at any given time we have got at least a handful of costings before the [PBO].'<sup>29</sup> The Leader of the Victorian Greens also informed the Committee that:

We have had a number of our costings referred to in media stories since the election, contributing to public debate on important issues—for example, our costing of the budget savings to be made from bringing forward the end of native forest logging and the transition payments and plan, also our work on waste policy, such as the container deposit scheme and enhance recycling and the cost of trialling pill testing in Victoria.<sup>30</sup>

The Committee notes that non-election period policy costings are a key mandate of the PBO. It also acknowledges the considerable uptake of policy costing services by Members of Parliament and the value they provide in allowing non-government parties access to costing services.

### Comparing policy costings as a mandate

The PBO's mandate is considerably unique in that policy costings are a key legislative function of the office. Across OECD member state parliamentary budget offices, mandated election policy costings are not widespread. While some other legislative budget offices within the network do have policy costing mandates, they differ in the services that they offer. The PBO's mandate provides that the office is to offer policy costings only to Members of Parliament.

Other international offices, such as the Austrian PBO and the American Congressional Budget Office, have a much wider remit in offering their costings, including being able to provide costing services to legislative committees. In its submission to the inquiry the Austrian PBO noted that while it provides 'short studies' for Members of Parliament:

Policy costing and impact assessment of new legislation in Austria is first and foremost the task of the government ... and must include corresponding impact information ... The PBO evaluates the documents submitted and, if required, prepares analyses based on the specific request from a MP.<sup>31</sup>

The Committee notes that while non-election period policy costing services are utilised by Members of the Victorian Parliament, the mandate to provide them is not widespread across other legislative budget offices in peer jurisdictions.

**FINDING 3:** Compared to international Parliamentary Budget Offices, the Victorian Parliamentary Budget Office has a unique and strong mandate to provide policy costings to Members of Parliament.

<sup>29</sup> Ms Clare Ozich, Chief of Staff, Victorian Greens, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 6.

<sup>30</sup> Dr Samantha Ratnam MLC, *Transcript of evidence*, p. 3.

<sup>31</sup> Mr Helmut Berger, Head of the Austrian Parliamentary Budget Office, *Submission 7*, received 24 April 2021, p. 1.

## 2.4 Advisory services to Members of Parliament

The Act provides that the PBO can provide advisory services to Members of Parliament.<sup>32</sup> The Act stipulates that at the request of a Member of Parliament, the PBO must take all reasonable steps to provide the member technical analysis or advice, or a briefing on financial, fiscal or economic matters.<sup>33</sup> In providing the advice, there are limitations on the information that the PBO can provide, including any information subject to Cabinet confidentiality or information not yet released under the *Financial Management Act 1994* (Vic).<sup>34</sup>

The PBO prepared 78 advisory reports between February 2019 and April 2021.<sup>35</sup> The PBO noted in its 2019–20 Annual Report that clients requested the release of only eight per cent of the responses prepared by the Office.<sup>36</sup>

At the public hearings, the Parliamentary Budget Officer noted that ‘advice, we generally find, is a lot more complex and can take a long time in comparison to policy costings.’<sup>37</sup> The Committee notes that advice produced by the PBO has covered several different areas of public policy. An example of the type of advice the PBO has produced is a request by the Victorian Greens in 2019 regarding glass recycling in Victoria. The published report examined:

- How glass is used in Victoria.
- Current recycling processes.
- The current market for recycled glass.
- Assessed current issues facing glass recycling.
- Assessed initiatives being trialled or implemented in other jurisdictions.<sup>38</sup>

The Victorian Greens informed the Committee that outside the election period it had ‘been utilising that broader advice service of the PBO to a much greater extent, and that has been very important for ... [its] internal policy development.’ The Victorian Greens also noted that they had ‘released a number of those advice requests publicly as well in relation to issues of public debate.’<sup>39</sup>

The Committee notes that other parties have also publicly released advice from the PBO. Table 2.1 lists publicly released advice and the originating political party, as at 2 June 2021.

<sup>32</sup> *Parliamentary Budget Officer Act 2017* (Vic) s 47 pt 3.

<sup>33</sup> *Ibid.*

<sup>34</sup> *Ibid.*

<sup>35</sup> Mr Anthony Close, Parliamentary Budget Officer, Parliamentary Budget Office, *Self-assessment of operations and resourcing*, supplementary evidence received 26 April 2021, p. 4.

<sup>36</sup> Parliamentary Budget Office, *Annual Report 2019–20*, p. 6.

<sup>37</sup> Mr Anthony Close, *Transcript of evidence*, p. 9.

<sup>38</sup> Parliamentary Budget Office, *State of glass recycling in Victoria: processes, facilities and potential end products*, 2019, <<https://sway.office.com/Ul1czaJgoborYki1>> accessed 17 May 2021.

<sup>39</sup> Ms Clare Ozich, *Transcript of evidence*, p.8.

**Table 2.1** Published advice by the Victorian Parliamentary Budget Office

Release date	Political Party	Title
19/03/2019	Liberal Party of Australia - Victorian Division	West Gate Tunnel Project and CityLink tolls
31/05/2019	Liberal Democratic Party	Professional Engineers Registration Bill 2019
22/08/2019	The Australian Greens - Victoria	Council recycling costs
13/11/2019	Liberal Party of Australia - Victorian Division	Cherry Creek youth justice facility
25/11/2019	The Australian Greens - Victoria	State of glass recycling in Victoria
20/04/2020	Fiona Patten's Reason Party Victoria	Extending out-of-home care to youth aged up to 21
04/12/2020	Liberal Democratic Party	Proposed new state-economic profile

Source: Parliamentary Budget Office, *Published advice*, 2021, <[https://www.pbo.vic.gov.au/Published\\_advice](https://www.pbo.vic.gov.au/Published_advice)> accessed 17 May 2021.

In the evidence gathered, there were two different views presented to the Committee regarding the value and risks of the advisory function of the PBO.

Dr Usman Chohan advised the Committee that advice 'makes parliamentarians more savvy—budgetarily savvy—and it helps to refine the way that they think and speak about tricky issues in a financial language.'<sup>40</sup>

However, the Grattan Institute's submission to the inquiry highlighted that such a function represents a potential risk to the independence of the PBO. The Grattan Institute advised the Committee that an advisory function is unusual for an IFI, adding that the institute was unable to identify a legislative budget office with a similar mandate.<sup>41</sup> The Grattan Institute stated that:

The Act provides minimal detail, except to emphasise that the PBO should not be involved in policy development and should not comment on the merits of policy. Published requests for advice vary significantly. Some risk politicising the PBO or creating the impression that the PBO is assisting in policy development or endorsing a policy. Others overlap with the functions of the Parliamentary Library. Overall, the broadly cast policy advice function seems to pose significant risks for the independence of the PBO.<sup>42</sup>

**FINDING 4:** The Parliamentary Budget Officer's mandate to deliver policy advice can assist parliamentarians gain a better understanding of budgetary matters.

**FINDING 5:** The Parliamentary Budget Officer's mandate to provide policy advice may pose a potential risk to the independence of the Office.

<sup>40</sup> Dr Usman Chohan, Director, Economic Affairs and National Development, Centre for Aerospace and Security Studies, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 9.

<sup>41</sup> Grattan Institute, *Submission 9*, received 30 April 2021, p. 1.

<sup>42</sup> Ibid.

Under Section 47 of the Act, and under the PBO's objective to inform public debate, the PBO also publishes public awareness advice. The PBO has stated that public awareness advice is 'typically more general in nature, in response to more than one member's request around a topic and with members' expectation of public release.'<sup>43</sup> As of 30 April 2021 the PBO has published four public awareness advisory reports:

- PBO fact sheet: public private partnerships.
- Victorian schools: determining and distributing funding.
- Victorian taxes and revenue: volatility, trends and stability.
- 2018 post-election report review: comparison with Labor Financial Statement 2018.<sup>44</sup>

The Secretaries of DTF and the Department of Premier and Cabinet have previously advised that public awareness advice is outside the PBO's mandate.<sup>45</sup> However, the Act does not specifically preclude the PBO from publishing public awareness advice.

**RECOMMENDATION 1:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017 (Vic)* to define the role of the Parliamentary Budget Office in relation to public awareness advice.

## 2.5 Own-motion research

Own-motion, or self-initiated research, refers to research and analysis outputs that are initiated by the PBO itself rather than in response or reference to a request. Principle 3.2 of the OECD's Principles outlines that institutions should have the scope to produce reports and analysis at their own initiative and the autonomy to determine their own work programme within their mandate.<sup>46</sup>

In evidence presented to the Committee, the OECD noted that the PBO's mandate does not include undertaking analysis at its own initiative and that this is unique among IFI's in the OECD network. In its submission to the inquiry, the OECD recommended that the PBO's legislation 'clearly provide for the publication of self-initiated reports.'<sup>47</sup> By establishing this mandate, the PBO would be 'in a better position to achieve its legislated objective of informing policy development and public debate in parliament and the Victorian community.'<sup>48</sup>

<sup>43</sup> Parliamentary Budget Office, *Annual Report 2019–20*, p. 6.

<sup>44</sup> Parliamentary Budget Office, *Public awareness advice*, 2021, <[https://www.pbo.vic.gov.au/Public\\_awareness\\_advice](https://www.pbo.vic.gov.au/Public_awareness_advice)> accessed 17 May 2021.

<sup>45</sup> Hon Gavin Jennings MLC, Special Minister of State, Victorian Government, correspondence, 22 October 2019, p. 2.

<sup>46</sup> Organisation for Economic Cooperation and Development, *Designing effective independent fiscal institutions*, p. 9.

<sup>47</sup> Mr Scott Cameron, Policy analyst, Organisation for Economic Cooperation and Development, *Submission 12*, received 6 May 2021, p. 3.

<sup>48</sup> Ibid.



Notably, the Commonwealth PBO's enabling legislation sets out the function to 'conduct, on his or her initiative...research on and analysis of the budget and fiscal policy settings.'<sup>49</sup> In real terms, the Commonwealth Parliamentary Budget Officer informed that Committee that they publish 'various reports, graphical summaries and tools'.<sup>50</sup> The publications aim to:

- Inform policy debate on issues that affect the sustainability of the federal budget.
- Promote a better understanding of the budget and fiscal policy settings.
- Improve budget transparency.<sup>51</sup>

At the public hearings on 27 April 2021, the Commonwealth Parliamentary Budget Officer outlined the importance of own motion research:

[it] really goes back to: what is our function? Our function is to help Parliament to conduct its business by helping them to understand fiscal issues in all their different dimensions. So we really depend upon Parliament having questions that they need answers to and Parliament having concerns that they need answers to, and our self-initiated process is really driven by that. It is not a whimsy thing, it is not just a 'whatever we want' thing, it is within our mandate working with our JCPAA, Joint Committee of Public Accounts and Audit, and others to try and understand what sorts of things Parliament as a whole would get value from...<sup>52</sup>

Between May 2020 and April 2021, the Commonwealth PBO prepared 18 own-motion publications. These included regular tracking of government finances in relation to spending and policy in response to COVID-19, medium-term fiscal scenarios, economic and fiscal outlook snap shots, and one-off research products such as *JobSeeker Payment: understanding economic and policy trends affecting Commonwealth expenditure*.<sup>53</sup>

An example of research that the PBO published to help inform public debate was the *COVID-19 pandemic–Victorian Government policy response* (COVID tracker). The COVID tracker summarises Victorian Government's funding announcements in response to the pandemic.<sup>54</sup> Policies were categorised by functions of government and impacted stakeholders, with the PBO tracking policies announced between 3 March 2020 and 31 October 2020.<sup>55</sup> The Victorian Greens stated in their submission that the PBO's COVID policy tracker was 'another very useful project':

<sup>49</sup> *Parliamentary Service Act 1999* (Cth) s 64E(1)(e).

<sup>50</sup> Dr Stein Helgeby, Parliamentary Budget Officer, Commonwealth Parliamentary Budget Office, Inquiry into the Parliamentary Budget Officer hearings, response to questions on notice received 4 May 2021, p. 1.

<sup>51</sup> *Ibid.*

<sup>52</sup> Dr Stein Helgeby, Parliamentary Budget Officer, Commonwealth Parliamentary Budget Office, public hearing, Melbourne, 27 April 2021, *Transcript of evidence*, p. 4.

<sup>53</sup> Dr Stein Helgeby, response to questions on notice, pp. 1–2.

<sup>54</sup> Parliamentary Budget Officer, *Annual Report 2019–20*, p. 7.

<sup>55</sup> Parliamentary Budget Office, *COVID-19 pandemic–Victorian Government policy response*, 2020, <[https://pbo.vic.gov.au/COVID-19\\_pandemic\\_-\\_Victorian\\_government\\_policy\\_response](https://pbo.vic.gov.au/COVID-19_pandemic_-_Victorian_government_policy_response)> accessed 15 May 2021.

All the announcements the government was making to assist the Victorian community through the pandemic were all in one place and provided greater transparency on where support was being directed.<sup>56</sup>

The OECD also made positive comments to the Committee regarding the tracker:

where the government was not necessarily producing the overviews, the summaries, of all the measures that they were announcing ... the Victorian PBO stepped up and put that information on the website proactively...<sup>57</sup>

**FINDING 6:** There is precedent in the OECD network for a Parliamentary Budget Office to have a mandate to conduct self-initiated research.

**FINDING 7:** Although the Parliamentary Budget Officer is mandated to inform policy development and public debate in Parliament and the Victorian community, the *Parliamentary Budget Officer Act 2017* does not have a clear mandate to publish self-initiated research.

**RECOMMENDATION 2:** The Parliament consider whether it is appropriate to amend the *Parliamentary Budget Officer Act 2017 (Vic)* to provide a mandate for the Parliamentary Budget Officer to publish self-initiated research.

## 2.6 Other functions

The Committee notes that there are a number of functions normally carried out by IFIs internationally for which the PBO currently has no mandate. These include:

- Briefing on the economy and public finances.
- Analysis of the executive government's budget proposal.
- Support for parliamentary committees.
- Fiscal sustainability analysis.
- Role in macroeconomic or fiscal forecasts.<sup>58</sup>

During the inquiry, the Committee was presented with evidence that explored the value of additional mandates for the PBO. The mandates of assisting parliamentary committees and an independent assessment of the budget process and budget policies are further explored in this Section.

<sup>56</sup> Dr Samantha Ratnam MLC, Leader, Victorian Greens, *Submission 4*, received 23 April 2021, p. 1.

<sup>57</sup> Mr Scott Cameron, Policy Analyst, Organisation for Economic Cooperation and Development, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 5.

<sup>58</sup> Organisation for Economic Cooperation and Development, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, 2019, Paris, p. 18.

## 2.6.1 Assisting parliamentary committees

The Parliamentary Budget Officer has recently sought clarification regarding the Act's directive concerning the PBO providing services to parliamentary committees. Section 47 of the Act states that 'the functions of the Parliamentary Budget Officer ... do not extend to ... providing any analysis, advice or briefing to assist a committee of Parliament.'<sup>59</sup>

The Austrian PBO noted in its submission that the Victorian PBO's mandate is 'strongly tailored to the requests of individual MPs and less to the tasks of the whole committee.' The Austrian PBO prepares analyses 'for the [Budget] committee and the head of the PBO is available at the committee meetings as [a] permanent expert.'<sup>60</sup> An individual member of the Austrian Parliament can request short studies from the Austrian PBO, 'but these are made available to all members of the committee and, like all other products, are published on Parliament's website.'<sup>61</sup>

Similarly, the Irish PBO has a 'special relationship with the Committee on Budgetary Oversight' from the Houses of Oireachtas:

The Director of the PBO regularly appears before the Committee to present the PBO's analysis of major Government budget related documents or the economic and fiscal situation. These sessions are in private. This allows for an open exchange with members.<sup>62</sup>

The Irish PBO has a clear objective to provide tailored support to the Irish Parliament and their Committees in relation to fiscal issues and public finances more broadly.<sup>63</sup>

**RECOMMENDATION 3:** The Parliament consider whether it is appropriate to amend the *Parliamentary Budget Officer Act 2017* to allow the Parliamentary Budget Office to provide assistance to parliamentary committees.

## 2.6.2 Independent assessment of the budget process

Principle 3.3 of the OECD's Recommendation for IFIs outlines that clear links to the budget process should be established within the mandate of institutions.<sup>64</sup> The OECD highlights that typical tasks carried out under this mandate include:

- Economic and fiscal projections (with a short to medium-term horizon, or long-term scenarios).
- Baseline projections (assuming unchanged policies).

<sup>59</sup> *Parliamentary Budget Officer Act 2017* (Vic) s 47(5)(a).

<sup>60</sup> Mr Helmut Berger, *Submission 7*, p. 1.

<sup>61</sup> *Ibid.*

<sup>62</sup> Ms Annette Connolly, Director, Oireachtas Parliamentary Budget Office, *Submission 6*, received 23 April 2021, p. 4.

<sup>63</sup> *Ibid.*

<sup>64</sup> Organisation for Economic Cooperation and Development, *Designing effective independent fiscal institutions*, p. 21.

- Analysis of the executive's budget proposals.
- Monitoring compliance with fiscal rules or official targets.
- Costing of major legislative proposals.
- Analytical studies on selected issues.<sup>65</sup>

IFIs generally have a role in analysing long-term fiscal sustainability and supporting the legislature in budget analysis.<sup>66</sup> The OECD noted that Victoria was unusual for the lack of attention given to fiscal risks and that the PBO looks at government budgets 'primarily from a short-term perspective'.<sup>67</sup>

The OECD informed the Committee that most other jurisdictions 'legislate a specific role for the PBO in the budget calendar,' but explained that legislative change is not always necessary:

after the budget is tabled the PBO would assess the economic and fiscal forecasts that underpin it and provide their opinion in a report to the finance committee or the appropriate one—whether that is this PAEC committee, I think? So you could make that change tomorrow. You do not need to reopen legislation to do so.<sup>68</sup>

Currently, the PBO publishes limited budget assessments without any involvement or oversight from the Committee. In comparison, the Canadian PBO is subject to a standing order from the finance committee that it 'must submit a spring and fall update to the committee that reviews the budget.'<sup>69</sup>

The Grattan Institute submitted that a mandate for forecasting could improve budgetary transparency. In its submission to the Committee, the Grattan Institute noted:

Handing responsibility to the PBO would...make macroeconomic forecasts more transparent. Independent fiscal institutions are more likely to publish the assumptions underpinning the forecasts, and engage more freely in discussions about significant economic uncertainties [compared to government forecasts].<sup>70</sup>

**RECOMMENDATION 4:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017 (Vic)* to include a mandate for the Parliamentary Budget Officer to conduct an assessment of the Budget.

<sup>65</sup> Ibid.

<sup>66</sup> Ibid., p. 9.

<sup>67</sup> Mr Scott Cameron, Policy Analyst for Organisation for Economic Cooperation and Development, Inquiry into the Victorian Parliamentary Budget Officer hearings, response to questions on notice received 6 May 2021, p. 8.

<sup>68</sup> Mr Scott Cameron, *Transcript of evidence*, pp. 2–3.

<sup>69</sup> Ibid., p. 3.

<sup>70</sup> Grattan Institute, *Submission 9*, p. 10.

### 2.6.3 Independent assessment of budget policies

The PBO is also unique among international legislative budget offices as it has no mandate to cost budget policies. Legislative budget offices with similar legislative arrangements to the PBO—Australia, Canada, Greece, Ireland, Italy, Korea, Mexico and the United States—all have legislation that connects the PBO to budget processes.<sup>71</sup> The OECD's Principle 3.3. states that 'clear links to the budget process should be established within the mandate.'<sup>72</sup>

The OECD has previously highlighted that the PBO would better align with the Principles and international best practice norms if its mandate was widened to include functions linked to the budget process.<sup>73</sup> The Committee also notes that the PBO could play a supporting role to the Victorian Parliament by ensuring the annual budget aligns with the *Financial Management Act 1994* (Vic). The Parliamentary Budget Officer advised the Committee that:

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... 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.<sup>74</sup>

**RECOMMENDATION 5:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017* (Vic) to include a mandate for the Parliamentary Budget Office to cost budget policies.

<sup>71</sup> Organisation for Economic Cooperation and Development, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, p. 18.

<sup>72</sup> Mr Scott Cameron, *Submission 12*, p. 3.

<sup>73</sup> Organisation for Economic Cooperation and Development, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, p. 18.

<sup>74</sup> Mr Anthony Close, *Transcript of evidence*, p. 3.



# 3 Performance

## 3.1 Introduction

This chapter considers the performance of the Victorian Parliamentary Budget Officer and the Parliamentary Budget Office (PBO) since their establishment. The PBO's performance against targets set through the budget cycle will be assessed, alongside the feedback provided by Members of Parliament. An examination of the oversight and evaluation frameworks established for the PBO also form part of this chapter.

## 3.2 Performance reporting

Public sector bodies (PSB) require an effective system of performance measurement and reporting. This is critical to enable transparent and accountable reporting on outcomes achieved.<sup>1</sup>

The Victorian State Budget specifies the performance measures for the PBO each year. The PBO reports its performance against each measure for the financial year in its Annual Report. Table 3.1 sets out the measures and the performance of the PBO in 2018–19 and 2019–20. There are no set targets for the number of requests the PBO receives from clients, rather, it is an indicator of demand for the PBO's services.

In 2018–19 and 2019–20, the PBO met all of its performance measures.

**Table 3.1** PBO performance targets and outcomes, 2018–19 and 2019–20

Performance measure	2018–19		2019–20	
	Target	Actual	Target	Actual
Requests (number)	Not set	234	Not set	172
Parliamentary stakeholder satisfaction (per cent)	80	95	80	89
Requests responded to by due date (per cent)	80	96	80	97
Request completion rate (per cent)	n/a	n/a	80	90
Operational framework established (date)	31 March 2019	30 June 2018	n/a	n/a
Total cost (\$ million)	4.07	4.04	3.30	3.28

Source: Parliamentary Budget Office, *Annual Report 2018–19*, Parliamentary Budget Office, Melbourne, 2019, p. 9; Parliamentary Budget Office, *Annual Report 2019–20*, Parliamentary Budget Office, Melbourne, 2020, p. 12.

<sup>1</sup> Department of Finance, *Developing Good Performance Information (RMG 131)*, 4 May 2021, <<https://www.finance.gov.au/government/managing-commonwealth-resources/developing-good-performance-information-rmg-131>> accessed 11 May 2021.

**FINDING 8:** The Parliamentary Budget Office met its performance targets in 2018–19 and 2019–20.

### 3.2.1 Timeliness responding to stakeholder requests

The PBO's Annual Report records and publishes the number of requests made to public sector agencies, responses received, whether a request is met, and the time it takes to respond. Under Section 28(1)(a) of the *Parliamentary Budget Officer Act 2017* (the Act), the Parliamentary Budget Officer must also record each occasion on which a public sector body head declines to comply with a request under Section 26 of the Act and include this in the Annual Report.<sup>2</sup> As noted in Chapter 4, in 2019–20, only 25% of the PBO's requests were responded to in time.

However, the PBO's timeliness in responding to stakeholder requests has remained high at 96–97%.<sup>3</sup> This discrepancy is due to the performance measure of 'requests responded to by due date.' The measure only records performance where Members of Parliament have nominated a critical response date. It does not account for public sector timeliness in responding to information requests.

As outlined on the PBO's website, nominating a critical response date for a request is a discretionary choice for a Member of Parliament.<sup>4</sup> As a result, the performance measure does not capture all of the requests made by Members of Parliament. At the public hearings on 26 April 2021, the Parliamentary Budget Officer elaborated on this discrepancy, and advised the Public Accounts and Estimates Committee (the Committee):

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.<sup>5</sup>

This was further highlighted by the Leader of the Victorian Greens, who advised the Committee that they did not think that the timeliness of responses by public sector bodies was a metric that was currently reported on.<sup>6</sup>

<sup>2</sup> *Parliamentary Budget Officer Act 2017* (Vic) s 28(1)(a).

<sup>3</sup> Parliamentary Budget Office, *Annual Report 2018–19*, Parliamentary Budget Office, Melbourne, 2019, p. 9; Parliamentary Budget Office, *Annual Report 2019–20*, Parliamentary Budget Office, Melbourne, 2020, p. 12.

<sup>4</sup> Parliamentary Budget Office, *Our Protocols*, 2021, <[https://pbo.vic.gov.au/Our\\_protocols](https://pbo.vic.gov.au/Our_protocols)> accessed 5 May 2021.

<sup>5</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 5.

<sup>6</sup> Dr Samantha Ratnam MLC, Leader, Victorian Greens, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 8.



**FINDING 9:** The Parliamentary Budget Office’s performance measure for ‘requests responded to by a due date’ does not capture all of the requests made by Members of Parliament, as nominating a critical response date is at the discretion of the Member of Parliament making the request.

**RECOMMENDATION 6:** The Parliamentary Budget Office record the number of Member of Parliament requests not assigned a critical response date, and include this in its Annual Report.

### 3.3 Member of Parliament satisfaction

To ensure the legitimacy of an office such as the PBO, there must be a willingness and support from its primary customers and stakeholders that use its services.<sup>7</sup> To facilitate this, an IFI should develop effective communication with stakeholders from the outset.<sup>8</sup>

Members of the Parliament of Victoria are the primary stakeholders of the PBO. The Act states that Members are ‘to be provided with ongoing, authoritative, independent and credible policy costing and advisory services.’<sup>9</sup> Consequently, the perspectives of Members of Parliament are a key indicator of the PBO’s performance and effectiveness.

The Parliamentary Budget Officer conducts an annual survey of clients who have used the PBO’s services. Members of Parliament are asked to provide comments and scores against areas aligned with the office’s legislated objectives. The results of these annual surveys are published in the PBO’s Annual Reports (Table 3.2).

<sup>7</sup> Usman Chohan and Kerry Jacobs, ‘Public Value in Politics: A Legislative Budget Office Approach’, *International Journal of Public Administration*, vol. 40, no. 12, 2017, p. 1071.

<sup>8</sup> Organisation for Economic Cooperation and Development, *Recommendation of the Council on Principles for Independent Fiscal Institutions*, Organisation for Economic Cooperation and Development, Paris, 2014, p. 4.

<sup>9</sup> *Parliamentary Budget Officer 2017* (Vic.) s 5(a).

**Table 3.2** Parliamentary Budget Officer satisfaction survey results

Objective from Act	2018–19	2019–20
	(%)	(%)
Independent	97.5	92.0
Authoritative	91.5	87.0
Credible	93.5	94.0
Timely	n/a <sup>a</sup>	90.0
Relevant	96.0	83.0
Understandable	98.0	88.0

a. In the 2018–19 survey, assessment of timeliness was provided on ‘yes/no’ basis. A percentage was not reported.

Source: Parliamentary Budget Office, *Annual Report 2018–19*, Parliamentary Budget Office, Melbourne, 2019, p. 9; Parliamentary Budget Office, *Annual Report 2019–20*, Parliamentary Budget Office, Melbourne, 2020, p. 12.

In 2018–19, parliamentarians rated their overall level of satisfaction with the PBO at 95%.<sup>10</sup> In 2019–20, the overall satisfaction score was 89%.<sup>11</sup> Both results exceeded the PBO’s target of 80%.<sup>12</sup> Members of Parliament see the establishment of the PBO as a positive addition to Parliament and they rank the PBO’s services highly for being independent (92) and credible (94).<sup>13</sup> However, there has been a year-on-year decline in stakeholder satisfaction with the Parliamentary Budget Office’s performance from 2018–19 to 2019–20.<sup>14</sup>

**FINDING 10:** Members of Parliament are the key stakeholders of the Victorian Parliamentary Budget Office. Stakeholder’s overall satisfaction with the Parliamentary Budget Office has declined slightly from a high base—95% to 89%—between 2018–19 and 2019–20.

### 3.3.1 Access to information and timeliness

As noted in Chapter 4, access to information from the public sector has proved an ongoing issue for the PBO. This was also noted by Members of Parliament, who raised their concerns with the PBO’s access to information and its impact on their own work. However, in evidence provided to the Committee, Members of Parliament advised that they were aware of the issues faced by the PBO and did not consider the office responsible for these delays.<sup>15</sup>

<sup>10</sup> Parliamentary Budget Office, *Annual Report 2018–19*, p. 9

<sup>11</sup> Parliamentary Budget Office, *Annual Report 2019–20*, p. 12.

<sup>12</sup> Parliamentary Budget Office, *Annual Report 2018–19*, p. 9; Parliamentary Budget Office, *Annual Report 2019–20*, p. 12.

<sup>13</sup> Parliamentary Budget Office, *Annual Report 2019–20*, p. 12.

<sup>14</sup> Parliamentary Budget Office, *Annual Report 2018–19*, p. 9; Parliamentary Budget Office, *Annual Report 2019–20*, p. 12.

<sup>15</sup> Dr Samantha Ratnam MLC, *Transcript of evidence*, p. 3; Mr Rod Barton MP, Leader, Transport Matters Party, *Submission 11*, received 3 May 2021, p. 1; Ms Louise Staley MP, Shadow Treasurer and Shadow Minister for Economic Development, Victorian Liberal Party, public hearing, Melbourne, *Transcript of evidence*, 26 April 2021, p. 6.

As a result, although issues with information supply remain, these have not impacted on Member of Parliament satisfaction with the PBO. This was highlighted by the Secretary for the Department of Treasury and Finance (DTF), who stated at hearings that:

while the PBO might be taking the view that the information they are getting is not what they are after—despite that—in their responses to members of Parliament in doing costings they have an 89 per cent satisfaction rating, which is higher than their target of 80 per cent.<sup>16</sup>

**FINDING 11:** Some Members of Parliament have raised concerns regarding the Parliamentary Budget Office’s timely access to information, but those same Members of Parliament do not consider the office responsible for the delays and satisfaction with the office remains very high.

The Parliamentary Budget Officer has advised that in cases where there is limited information forthcoming from the public sector, the PBO uses alternative data sources in order to manage expectations and fulfil requests made by Members of Parliament.<sup>17</sup> The Parliamentary Budget Officer has identified that this approach, if continued, will impact on client satisfaction. The 2019–20 Annual Report states:

Our clients remain highly satisfied with our service but continue to highlight that better access to public sector information is required...As we increasingly use public information in response to our strategic issue relating to information supply, we expect that our clients’ perception of the relevance of our service may be further negatively impacted.<sup>18</sup>

### 3.3.2 Professionalism

The PBO demonstrates professional conduct by delivering on its objective to ‘provide members of Parliament with ongoing, authoritative, independent and credible policy costing and advisory services’ in a ‘timely, relevant and readily understandable manner’.<sup>19</sup> Feedback collated from Members of Parliament in the annual independent survey confirmed that the PBO was independent, credible and highly professional.<sup>20</sup>

During the course of the inquiry, the Committee was informed that the PBO demonstrates professionalism in its work. In a submission to the Committee, the Liberal Party stated that they ‘have found the Victorian Parliamentary Budget Officer and his

<sup>16</sup> Mr David Martine, Secretary, Department of Treasury and Finance, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 4.

<sup>17</sup> Mr Anthony Close, *Transcript of evidence*, p. 4.

<sup>18</sup> Parliamentary Budget Office, *Annual Report 2019–20*, p. 12.

<sup>19</sup> Parliamentary Budget Office, *About the Parliamentary Budget Office (PBO)*, Parliamentary Budget Office, <[https://pbo.vic.gov.au/About\\_the\\_PBO](https://pbo.vic.gov.au/About_the_PBO)> accessed 7 April 2021.

<sup>20</sup> Parliamentary Budget Office, *Annual Report 2019–20*, pp. 3, 12.

staff (the PBO) to be professional and responsive in their dealings with the Victorian Opposition.<sup>21</sup> At the public hearings on 26 April, the Shadow Treasurer also noted that 'to the extent that [the PBO] can help us, they do.'<sup>22</sup>

The Leader of Derryn Hinch's Justice Party stated that:

The conduct of the PBO has been exemplary—they are always happy to assist with any request, they proactively monitor the media and our proposals and are extremely approachable.<sup>23</sup>

At public hearings, the Leader of Victorian Greens stated that she 'was struck from the moment that the PBO began its operations by its professionalism ... they provide an exemplar of any independent or public body.'<sup>24</sup>

**FINDING 12:** The PBO has conducted its work and engagement with Members of Parliament in a professional manner since the office was established.

### 3.3.3 Communication

In evidence to the Committee the Parliamentary Budget Officer provided an overview of the PBO's processes and communication with clients when a Member of Parliament makes a costing or advisory request:

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 ... 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.<sup>25</sup>

The PBO's website outlines the protocols used by the PBO in its dealings with Members of Parliament. These set out clear procedures for consultation on:

- Member's submissions.
- Accepting Member's requests.
- Progress on requests.
- The PBO's response.<sup>26</sup>

<sup>21</sup> Hon Michael, O'Brian MP and Ms Louise Staley MP, Victorian Liberal Party, *Submission 8*, received 29 April 2021, p. 1.

<sup>22</sup> Ms Louise Staley MP, *Transcript of evidence*, p. 6.

<sup>23</sup> Mr Stuart Grimley MP, Victorian Leader, Derryn Hinch's Justice Party, *Submission 3*, received 22 April 2021, p. 1.

<sup>24</sup> Dr Samantha Ratnam MLC, *Transcript of evidence*, p. 2.

<sup>25</sup> Mr Anthony Close, *Transcript of evidence*, p. 7.

<sup>26</sup> Parliamentary Budget Office, *Our Protocols*.

Consistent with these procedures, the PBO consults and engages with clients throughout the policy costing process as needed and where constraints allow. The Parliamentary Budget Officer stated that:

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.<sup>27</sup>

This was reflected by the Leader of Derryn Hinch's Justice Party, whose submission to the inquiry that the PBO were always happy to assist with any request, proactively monitor the media and the party's proposals, and were extremely approachable.<sup>28</sup>

The Leader of the Victorian Greens confirmed the PBO's transparent communication:

From day one [the PBO] were keen to build a working relationship that invited constructive criticism and opportunities for improvement in how they operated, and they have kept us constantly updated. To me this demonstrates very good leadership, and they provide an exemplar for any independent or public body.<sup>29</sup>

The Leader of the Victorian Greens further stated that:

the PBO has been very clear and up-front with us—when it is complex and we need to work on models and they are developing a model from scratch. There are times when it is commercial-in-confidence, so you kind of hit against the legislation. We understand that too, and that is information that PBO provide [sic] and says, 'This is the stumbling block or barrier that we have experienced'. Those things are communicated, in our experience, in a very timely, very up-front manner and we know what we are dealing with.<sup>30</sup>

**FINDING 13:** The PBO regularly communicates with Members of Parliament to provide updates on the progress in responding to requests. This is in line with protocols established by the PBO.

<sup>27</sup> Mr Anthony Close, *Transcript of evidence*, p. 8.

<sup>28</sup> Mr Stuart Grimley MP, *Submission 3*, p. 1.

<sup>29</sup> Dr Samantha Ratnam MLC, *Transcript of evidence*, p. 2.

<sup>30</sup> *Ibid.*, pp. 4–5.

### 3.3.4 Quality

The Committee was informed by Members of Parliament that the PBO provides its clients with quality products.

The Leader of the Transport Matters Party highlighted that the PBO is ‘is invaluable to my office and integral to supporting and planning our responses to various positions of Government’.<sup>31</sup> The requests that the PBO has been asked to work on have been ‘to the highest of standards.’<sup>32</sup>

The Leader of the Victorian Greens informed the Committee that the PBO has:

strived to produce a high quality of work through a culture of dialogue, collaboration and feedback. From day one they were keen to build a working relationship that invited constructive criticism and opportunities for improvement in how they operated, and they have kept us constantly updated.<sup>33</sup>

Consistent with this, the Shadow Treasurer stated that they had found the work of the PBO to be ‘excellent.’<sup>34</sup>

**FINDING 14:** The Parliamentary Budget Office provides Members of Parliament with high quality products and services.

## 3.4 Outputs

As noted above there are no set targets for the number of requests the PBO receives from clients, although as an input measure the number of requests can provide an indicator of demand for the PBO’s services. This can be used to provide a better understanding of the PBO’s performance when combined with an output measure, such as the number of requests responded to.<sup>35</sup>

The main outputs of the PBO outlined in the Act are advice, election policy costings and policy costings, produced in response to requests by Parliamentary Leaders and Members of Parliament.<sup>36</sup> In addition, during an election costing period, the PBO prepares pre and post-election reports. These products are described in greater detail in Chapter 2.

<sup>31</sup> Mr Rod Barton MLC, *Submission 11*, p. 1.

<sup>32</sup> Ibid.

<sup>33</sup> Dr Samantha Ratnam MLC, *Transcript of evidence*, p. 2.

<sup>34</sup> Ms Louise Staley MP, *Transcript of evidence*, p. 5.

<sup>35</sup> Department of Finance, *Developing Good Performance Information (RMG 131)*.

<sup>36</sup> *Parliamentary Budget Officer Act 2017* (Vic) pt 3 div 1.

Under Section 43 of the Act, during an election period the Parliamentary Budget Officer must prioritise election policy costings and services over other policy costings and advice.<sup>37</sup> During the 2019 election, the PBO also produced costings of publicly announced election policies.

The outputs and inputs of the PBO, as outlined in its Annual Reports and Report of Operations, are provided in Table 3.3.

**Table 3.3** Parliamentary Budget Office inputs and outputs, 2018–19 and 2019–20

Product	2018–19		2019–20	
	Requests	Prepared	Requests	Prepared
	(number)	(number)	(number)	(number)
Election policy costings for Parliamentary leaders	125	215 <sup>a</sup>	n/a	n/a
Publicly announced election commitment costings	n/a	829 <sup>b</sup>	n/a	n/a
Policy costings for Members of Parliament	86	68	121	110
Advice for Members of Parliament	20	10	51	38

a. The PBO prepared 117 policy costings by request, with a further 98 costings reprepared due to budget updates.

b. This includes 137 commitment costings that were reprepared due to budget updates.

Source: Parliamentary Budget Office, *Annual Report 2018–19*, Parliamentary Budget Office, Melbourne, 2019, p. 4; Parliamentary Budget Office, *Annual Report 2019–20*, Parliamentary Budget Office, 2020, Melbourne, p. 5.

The PBO reported that in the last four months of 2019–20, COVID-19 negatively impacted request numbers.<sup>38</sup>

During the 2018 election period, the PBO completed 1,044 election policy costings.<sup>39</sup> This was composed of 215 costings prepared in response to requests from Parliamentary Leaders, and a further 829 costings of publicly announced election policies.<sup>40</sup>

### 3.4.1 Comparisons

The Commonwealth PBO and Canadian PBO are offices with broadly similar resourcing and mandates to the Victorian PBO. However, their outputs vary considerably. Although it is difficult to make a direct comparison, they are presented here to provide a point of reference and an indication of the heterogeneity of PBO's.

<sup>37</sup> Ibid., s 43.

<sup>38</sup> Parliamentary Budget Office, *Annual report 2019–20*, p. 12.

<sup>39</sup> Parliamentary Budget Office, *Report of PBO operations for the 2018 Victorian general election*, Parliamentary Budget Office, Melbourne, 2019, p. 2.

<sup>40</sup> Ibid.

In 2018–19, the Commonwealth PBO completed 2,970 costing and budget analysis requests.<sup>41</sup> However, the Commonwealth PBO's 2018–19 Annual Report does not differentiate between policy costing requests related to the 2019 Federal election and those of a more general nature. Further, the Commonwealth PBO reports on the number of 'options' contained in requests it completes, where a single request can contain multiple options.

In 2019–20 the number of requests completed by the Commonwealth PBO reduced to 279, which was attributed to the deferral of the Federal Budget to October 2020, and global events such as the COVID-19 pandemic.<sup>42</sup>

In contrast, the Canadian PBO reported that it received 29 requests for financial analysis and cost estimates and published nine in 2018–19.<sup>43</sup> It received 15 requests for financial analysis and cost estimates and published 10 in 2019–20.<sup>44</sup>

For the first time during the 2019 election in Canada, political parties could request financial cost estimates of election proposals during the 2019 federal election campaign.<sup>45</sup> Between 24 June and 20 October 2019, the Canadian PBO received 216 costing requests, and published 115. The Canadian PBO costed approximately half of the proposed measures with a financial impact that parties published during the election.<sup>46</sup>

In a submission to the inquiry, the Parliamentary Budget Officer undertook a comparison of the election costing outputs of the three PBOs in Australia, stating that:

The Victorian PBO prepared the most election commitment costings, election policy costings and pre-election and post-election reports of any Australian jurisdiction during an election period. This is partly explained by its higher number of functions than other PBOs.<sup>47</sup>

The comparison is recreated in Table 3.4.

<sup>41</sup> Parliamentary Budget Office, *PBO Annual Report 2018–19*, Parliamentary Budget Office, Canberra, 2019, p. 12.

<sup>42</sup> The figure for 2018–19 includes election costings. It also counts 'options': a single request can contain multiple options. Parliamentary Budget Office, *PBO Annual Report 2018–19*, Parliamentary Budget Office, Canberra, 2019, p. 12; Parliamentary Budget Office, *PBO Annual Report 2019–20*, Parliamentary Budget Office, Canberra, 2020, p. 11.

<sup>43</sup> Office of the Parliamentary Budget Officer, *2018–19 report on the activities of the Office of the Parliamentary Budget Officer*, Office of the Parliamentary Budget Officer, Ottawa, 2019, p. 4.

<sup>44</sup> Office of the Parliamentary Budget Officer, *2019–20 report on the activities of the Office of the Parliamentary Budget Officer*, Office of the Parliamentary Budget Officer, Ottawa, 2020, p. 4.

<sup>45</sup> *Ibid.*, p. 5.

<sup>46</sup> Office of the Parliamentary Budget Officer, *Evaluation of Election Proposal costing 2019*, Office of the Parliamentary Budget Officer, Ottawa, 2020, p. 5.

<sup>47</sup> Mr Anthony Close, Parliamentary Budget Officer, Parliamentary Budget Office, Submission 10b, received 3 May 2021, p. 12.



**Table 3.4** Election costing output of Australian Parliamentary Budget Offices

Output	NSW PBO		Victorian PBO	Commonwealth PBO
	2015 election	2019 election	2018 election	2019 election
Election policy costings	248 <sup>a</sup>	349 <sup>b</sup>	215	n/a
Election commitment costings	179	227	829	427
Pre-election and post-election reports	2	2	6	3

a. The NSW PBO post-election report 2015 stated that while 476 policy costings were requested, 49 were withdrawn before completion and 248 were not published. 179 completed costings were published by the NSW PBO.

b. The NSW PBO's post-election report for 2019 stated that while 576 policy costings were completed, only 188 were fully completed internally by the PBO.

Note: The table uses the term election policy costing to refer to a costing completed during an election or caretaker period but not included in a costing aggregation report. An election commitment costing is a costing that may have been requested, but for the Victorian and Australian PBOs was also identified from public statements, and is included in a post-election report.

Source: Mr Anthony Close, Parliamentary Budget Officer, Parliamentary Budget Office, *Submission 10b*, received 3 May 2021, p. 12.

### 3.5 Oversight, evaluation, and reporting

Oversight of the Parliamentary Budget Officer and the PBO is set out in the Act. Under the Act, the following functions and responsibilities of Parliament and the Committee are established:

- To recommend the appointment and terms and conditions of appointment of the Parliamentary Budget Officer.
- To review the operational and resourcing arrangements for the Parliamentary Budget Officer, including reviewing the draft budget for the Officer.
- To consult the Parliamentary Budget Officer on an operational plan.
- To review reports of PBO operations and annual report.
- To review and assess how well the Parliamentary Budget Officer's functions are being performed.
- To report to both Houses of Parliament on any matter connected with the operational and resourcing arrangements for the Parliamentary Budget Officer that requires the attention of Parliament.

However, the Act does not set timeframes that require a regular evaluation or review of the performance of the Parliamentary Budget Officer.

In contrast, under the *Audit Act 1994* (Vic), the Committee appoints an independent auditor who must conduct a performance audit at least once every four years to determine whether the Auditor-General and the Victorian Auditor-General's Office (VAGO) are achieving their objectives effectively, economically and efficiently and in compliance with all relevant Acts.<sup>48</sup>

<sup>48</sup> *Audit Act 1994* (Vic) Pt 11 s 79.

In 2019, at the request of the Parliamentary Budget Officer, the Organisation for Economic Cooperation and Development (OECD) conducted a review of the legislative framework of the PBO and its alignment with the OECD *Principles for Independent Fiscal Institutions*. The review found that while the Act allows for the Committee to review the PBO's performance, 'external evaluation is not mandated in legislation.'<sup>49</sup> The OECD concluded that the PBO's legislation could be:

strengthened in line with peer institutions such as the Australian PBO where the Parliamentary Service Act allows the Joint Committee of Public Accounts and Audit [JCPAA] to request an independent review of the operations of the PBO, to be completed within nine months after a general election.<sup>50</sup>

According to the OECD, IFIs benefit from regular external evaluation of their work, conducted by local or international experts.<sup>51</sup> The evaluation can take several forms, including a review of selected pieces of work, annual evaluation of the quality of analysis, a permanent advisory panel or board, or a peer review by an IFI in another country.<sup>52</sup>

Other jurisdictions have review and evaluation functions set out more clearly in their PBO's enabling legislation. For example, the Commonwealth's Joint Committee of Public Accounts and Audit (JCPAA) can request an independent review of the Commonwealth PBO, a function which is mandated to take place regularly:

After a general election, the Joint Committee of Public Accounts and Audit may request the Parliamentary Budget Officer to cause an independent review of the operations of the Parliamentary Budget Office to be conducted in accordance with the request.<sup>53</sup>

To date there have been four reviews of the Commonwealth PBO since it was established in 2012. The Commonwealth JCPAA undertook three of these, with a fourth undertaken by the Australian National Audit Office.<sup>54</sup>

The Canadian PBO has a similar legislated review process:

A committee of the Senate, of the House of Commons or of both Houses of Parliament shall, five years after the day [2017] on which this section comes into force, undertake a review of sections 79.01 to 79.5.<sup>55</sup>

<sup>49</sup> Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, report for the Organisation for Economic Cooperation and Development, Paris, 2019, p. 5.

<sup>50</sup> *Ibid.*, p. 31.

<sup>51</sup> Organisation for Economic Cooperation and Development, *Recommendation of the Council on Principles for Independent Fiscal Institutions*, pp. 1, 4.

<sup>52</sup> *Ibid.*, p. 4.

<sup>53</sup> *Parliamentary Service Act 1999* (Cth) pt 7 div 2 s 64T(1).

<sup>54</sup> Parliament of Australia, *Reviews of the PBO*, 2020, <[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/About\\_the\\_PBO/Corporate\\_information/Reviews\\_of\\_the\\_PBO](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/About_the_PBO/Corporate_information/Reviews_of_the_PBO)> accessed 28 May 2021.

<sup>55</sup> *Parliament of Canada Act*, RSC 1985, c P-1, s 79.01.

The OECD states that although legislation is silent regarding the monitoring and evaluation mechanisms of the Italian PBO, ‘the publication of all reports and analyses provides an informal mechanism for stakeholders to track PBO performance.’<sup>56</sup> A Board of Auditors verifies the PBO’s financial management and accounting and the European Commission monitors the PBO’s compliance with EU fiscal regulations.<sup>57</sup>

This is the first review of the Parliamentary Budget Officer and the PBO by the Committee since the role of the Parliamentary Budget Officer was established in 2017.

**FINDING 15:** International best practice establishes that Independent Fiscal Institutions have legislated or external measures to ensure that external reviews into their performance and functions are conducted.

**RECOMMENDATION 7:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017 (Vic)* to provide for regular review of the Parliamentary Budget Office’s operations, performance, resourcing, and legislative functions.

### 3.5.1 Annual reports

Under Section 28 of the Act, the Parliamentary Budget Officer must prepare an annual report of the operations of the PBO. The report must:

- Record each occasion of non-compliance to an information request by a public sector body head.
- Specify the number of policy costings the Parliamentary Budget Officer stopped preparing.
- Include each statement publicly released in accordance with a request.<sup>58</sup>

The Parliamentary Budget Officer must deliver the Annual Report to the Chair of the Committee on or before 31 October following the financial year to which it relates. The Chair must ensure that the Annual Report is tabled in both Houses of Parliament on the first sitting day after receiving the Annual Report.<sup>59</sup> The PBO has so far produced two Annual Reports, published for 2018–19 and 2019–20. As noted in Chapter 4, these reports have contained the information specified in the legislation.

<sup>56</sup> Organisation for Economic Cooperation and Development, ‘Principles for Independent Fiscal Institutions and Case Studies’, *OECD Journal on Budgeting*, vol. 2015, no. 2, 2016, p. 149.

<sup>57</sup> *Ibid.*, pp. 148–149.

<sup>58</sup> *Parliamentary Budget Officer Act 2017 (Vic)* s 28.

<sup>59</sup> *Ibid.*

### 3.5.2 Financial oversight

Section 17A of the *Public Administration Act 2005* (Vic) establishes the PBO as an administrative office of the Parliament.<sup>60</sup> As a result, under the *Financial Management Act 1994* (Vic), the PBO's financial statements must be incorporated in and consolidated with the financial statements of the Victorian Parliament.<sup>61</sup> However, as noted above, the PBO's legislation also requires that the Parliamentary Budget Officer must prepare a report of the operations of the PBO each financial year.<sup>62</sup>

This creates an issue with the financial governance of the PBO. The legislation requires the PBO to produce an Annual Report, but not an audited financial statement.<sup>63</sup> This was illustrated by the Victorian Auditor-General at the public hearings on 26 April 2021, who stated:

while the PBO's financial information has been captured within the Parliament of Victoria up until now, that in fact is technically not strictly correct in terms of the accounting standards, because the PBO is not controlled by the Parliament—and that is made clear through the PBO Act.<sup>64</sup>

From July 2020, the PBO has been established as its own entity.<sup>65</sup> This arrangement requires the PBO to prepare financial statements each year. To ensure appropriate accountability the Parliamentary Budget Officer has sought an audit by arrangement from VAGO.<sup>66</sup>

At the public hearings, the Victorian Auditor-General informed the Committee that VAGO would undertake a financial audit of the PBO.<sup>67</sup> However, the Victorian Auditor-General also advised the Committee that a discrepancy still existed within the legislation, which needed to be addressed:

The outcome of [the discrepancy] is that the PBO could not produce any financial report, and there would be no requirement for the PBO to produce a financial report or have it audited. So I think it is positive that the PBO has reached out to me and asked for me to do an audit by arrangement and for them to voluntarily, effectively, produce a financial report. However, it may be that in the interests of transparency and accountability and for the avoidance of doubt the committee may be minded to think about whether or not the legislation of the PBO needs to be amended and that remedied.<sup>68</sup>

<sup>60</sup> *Parliamentary Administration Act 2005* (Vic) div 2A s 17A.

<sup>61</sup> *Financial Management Act 1994* (Vic) pt 7 s 45(4).

<sup>62</sup> Ibid.

<sup>63</sup> Mr Andrew Greaves, Auditor-General, Victorian Auditor-General's Office, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 5.

<sup>64</sup> Ibid.

<sup>65</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, *Inquiry into the Parliamentary Budget Officer: Self assessment of operations and resourcing*, supplementary evidence received 26 April 2021, p. 19.

<sup>66</sup> Ibid., p. 19.

<sup>67</sup> Mr Andrew Greaves, *Transcript of evidence*, p. 5.

<sup>68</sup> Ibid.

**FINDING 16:** There is currently no legislative requirement that the Parliamentary Budget Officer prepare annual financial statements or have them audited.

**RECOMMENDATION 8:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017* (Vic) to require that the audited financial statements of the Parliamentary Budget Office be included in its annual report of operations.



# 4 Operational arrangements

## 4.1 Introduction

The Treasurer, in announcing passage of the *Parliamentary Budget Officer Act 2017* (Vic) (the Act), stated that the Parliament had established an independent, credible and permanent Parliamentary Budget Office (PBO) to assist Members of Parliament with costing policy proposals and the provision of financial advice.<sup>1</sup>

There is broad agreement on the factors critical for ensuring the independence and good functioning of Independent Fiscal Institutions (IFIs), as outlined in the Organisation for Economic Co-operation and Development's (OECD) *Principles for Independent Fiscal Institutions* (the OECD Principles).<sup>2</sup> The OECD's *Index of IFI Independence* covers sixteen variables under pillars which include operational independence, access to information, and transparency.<sup>3</sup> It is consistent with the literature for other independent institutions such as central banks and supreme audit institutions.<sup>4</sup>

Under Section 54 of the Act, the Public Accounts and Estimates Committee (the Committee) has the function and responsibility to review the operational arrangements for the Parliamentary Budget Officer.<sup>5</sup> This chapter will examine the operational arrangements currently in place for the Parliamentary Budget Officer. In particular, the chapter will consider the operational independence of the PBO in the Victorian context. The Committee will assess the ability of the PBO to access information including the supply of information from public sector bodies and the frameworks established to effectively facilitate this. The chapter will also explore the transparency of the PBO's operations and how effectively confidentiality is maintained for Parliamentarians who make requests.

## 4.2 Operational independence

Protections to ensure that the PBO is independent are contained within the Act. Section 53 of the Act states that the Parliamentary Budget Officer may not question the merits of a policy that is or has been the subject of a request for a policy costing.<sup>6</sup>

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1 Hon Tim Pallas MP, *Labor To Establish Parliamentary Budget Office*, media release, Victorian Government, Melbourne, 22 June 2017.

2 Organisation for Economic Co-operation and Development, *Recommendation of the Council on Principles for Independent Fiscal Institutions*, Paris, 2014.

3 Lisa von Trapp and Scherie Nicol, 'Measuring IFI independence: A first pass using the OECD IFI database', in Roel Beetsma and Xavier Debrun (eds), *Independent Fiscal Councils: Watchdogs or lapdogs?*, Center for Economic Policy Research, London, 2018, p. 46.

4 *Ibid.*, p. 42.

5 *Parliamentary Budget Officer Act 2017* (Vic) s 54.

6 *Ibid.*, s 53.

This is consistent with Principle 2.1 of the OECD Principles, which states that IFIs should be precluded from any normative policy-making responsibilities to avoid even the perception of partisanship. The Victorian legislation is in line with restrictions in peer institutions.<sup>7</sup>

This was supported by evidence given to the Committee at the public hearings on 26 April 2021. Dr Usman Chohan advised that the PBO's legislative framework minimised the risk that its role as an independent office would be misunderstood.<sup>8</sup> In addition, both the Shadow Treasurer and the Leader of the Victorian Greens stated that they had found the services provided by the PBO useful and delivered professionally, reflecting the non-partisan nature of the office.<sup>9</sup>

Section 17 of the Act states that the Parliamentary Budget Officer may employ any staff that are necessary for the purposes of the Act, under Part 3 of the *Parliamentary Administration Act 2005*.<sup>10</sup> This is consistent with Principle 2.5 of the OECD Principles, which requires that the leadership of an IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.

**FINDING 17:** The *Parliamentary Budget Officer Act 2017* provides protections to ensure that the Parliamentary Budget Officer is operationally independent and non-partisan, and has the freedom to hire staff.

### 4.3 Access to information—timeliness

Timely access to relevant and reliable information is critical to the work of all IFIs. In a recent examination of access to information for IFIs, the OECD has found that:

Without good information, the value and reliability of the assessments conducted by IFIs, and the information that they provide to parliamentarians, will be adversely affected. Out of date, insufficiently detailed or incomplete information can hinder the task of IFIs in fulfilling their functions and responsibilities or make their assessments less reliable, less helpful, incomplete or no longer valid.<sup>11</sup>

Principle 6.1 states that there is a special duty to guarantee in legislation that the IFI has full access to all relevant information in a timely manner.<sup>12</sup> Internationally, there is some variety in the legislative provisions that have been made for PBOs and IFIs to

<sup>7</sup> Organisation for Economic Co-operation and Development, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, Paris, 2019, p. 12.

<sup>8</sup> Dr Usman Chohan, Director, Economic Affairs and National Development, Centre for Aerospace and Security Studies, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 3.

<sup>9</sup> Ms Louise Staley MP, Shadow Treasurer, Liberal Party, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 3; Dr Samantha Ratnam MLC, Leader, Victorian Greens, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, pp. 1–2.

<sup>10</sup> *Parliamentary Budget Officer 2017* (Vic), s 17.

<sup>11</sup> Organisation for Economic Co-operation and Development, *Access to information for Independent Fiscal Institutions (IFIs)*, report prepared by Larry Honeysett, Paris, 2020, p. 2.

<sup>12</sup> Organisation for Economic Co-operation and Development, *Recommendation of the Council on Principles for Independent Fiscal Institutions*, p. 3.



access information. However, most entities gain access to information through special provisions enshrined in legislation, or memoranda of understanding (MoUs) established with government bodies. Table 4.1 provides a comparison between the mechanisms that are in place in Victoria and other OECD jurisdictions to facilitate access to information. It shows that access to information is principally provided through legislation, with some PBOs also making use of MoUs.

**Table 4.1 Mechanisms that facilitate Independent Fiscal institutions access to information**

Parliamentary Budget Office	Access to information			
	Legislation	Memorandum of Understanding	Other agreements	Not specified
Victorian Parliamentary Budget Office	✓	✓ <sup>a</sup>	✗	✗
Commonwealth Parliamentary Budget Office	✓	✓	✓	✗
New South Wales Parliamentary Budget Office	✓	✗	✗	✗
Austrian Budget Service	✗	✗	✗	✓
Canadian Office of the Parliamentary Budget Officer	✓	✓	✗	✗
Greek Parliamentary Budget Office	✓	✓	✗	✗
Irish Parliamentary Budget Office	✓	✗	✗	✗
Italian Parliamentary Budget Office	✓	✓	✓	✗
Korean National Assembly Budget Office	✓	✗	✗	✗
Mexican Centre for Public Finance Studies	✓	✗	✗	✗
United States Congressional Budget Office	✓	✗	✗	✗

a. The Victorian PBO has only established MoUs with a small number of peripheral government agencies.

Source: Information compiled by the Committee.

The importance of legislated access to information was highlighted by the Victorian Parliamentary Budget Officer in evidence provided to the Committee. The Parliamentary Budget Officer stated that to address poor information supply from the public sector, 'there is no substitute for effective legislative powers.'<sup>13</sup>

<sup>13</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 1.

The Act sets out two ways that the Parliamentary Budget Officer may access information:

- Under Section 25 of the Act, the Parliamentary Budget Officer may make an arrangement with a public sector body Head for the Officer to obtain from the public sector body information and documents relevant to the Officer's functions.<sup>14</sup>
- Under Section 26 of the Act, the Parliamentary Budget Officer may, in writing, request a public sector body Head to give the Officer any information or document of the public sector body relevant to the Officer's functions. A public sector body Head must comply with a request under Section 26(1) within 3 business days after receiving it.<sup>15</sup>

As at 3 June 2021, the Parliamentary Budget Officer has established standing arrangements under Section 25 of the Act through MoUs with five Victorian public sector bodies:

- State Revenue Office Victoria (2018).
- Infrastructure Victoria (2018).
- Victoria Police (2018).
- Victorian Public Sector Commission (2020).
- Game Management Authority (2021).<sup>16</sup>

The five MoUs each contain a Schedule that outlines the agreed response times for information requests made by the PBO. These are equal to or greater than the response time specified in Section 25 of the Act (Table 4.2).

**Table 4.2** Response times for information requests

Nature of the request	Burden faced by agency	Priority	Permitted response time
Existing model or data requiring no major adjustment	Lower	Urgent	Up to three business days
		Routine	Up to five business days
Existing model or data requiring major adjustment	Medium	Urgent	Up to five business days
		Routine	Up to seven business days
No model exists or data is not current requiring substantial development, collection or modification	Higher	Urgent	Up to seven business days
		Routine	Agreed with PBO

Source: Parliamentary Budget Officer, *Memorandum of Understanding between the Parliamentary Budget Officer and Public Sector Body Heads for the Exchange of Information*, Melbourne, 2018, p. 10.

<sup>14</sup> *Parliamentary Budget Officer 2017* (Vic) s 25.

<sup>15</sup> *Ibid.*, s 26.

<sup>16</sup> Parliamentary Budget Officer, *Memorandum of Understanding*, 2021, <[https://pbo.vic.gov.au/Memorandum\\_of\\_Understanding](https://pbo.vic.gov.au/Memorandum_of_Understanding)> accessed 13 April 2021.

**FINDING 18:** The establishment of memorandums of understanding providing for information supply under Section 25 of the *Parliamentary Budget Officer Act 2017* (Vic) (the Act) allow timeframes for information requests to be negotiated that are greater than the three business days legislated for requests made under Section 26 of the Act.

At the public hearings on 26 April 2021, the Parliamentary Budget Officer highlighted the effectiveness of the standing arrangements in MoUs ensuring information supply, stating:

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.<sup>17</sup>

The Shadow Treasurer also noted the effectiveness of the standing arrangements in her evidence to the Committee, noting that these had ‘clearly helped’,<sup>18</sup> and stated:

I understand that the PBO has an MOU with the taxation department, the SRO—they are pretty good. We get them in a timely way and I am confident that there is no leak out anywhere else.<sup>19</sup>

However, in 2019–20, information requests made under standing arrangements for information supply represented only 4% of total information requests.<sup>20</sup>

**FINDING 19:** The Parliamentary Budget Office’s establishment of memorandums of understanding with public sector bodies has improved information supply from these bodies. However, in 2019–20 requests under these arrangements represented only 4% of total information requests.

In the *Report of PBO operations for the 2018 Victorian general election*, the Parliamentary Budget Officer stated that part of the basis for seeking to establish MoUs was to offer public sector bodies more time to respond to information requests and promote information sharing.<sup>21</sup> The Parliamentary Budget Officer has been unable to establish MoUs for information supply with government departments. This is discussed in more detail in Section 4.6.2.

<sup>17</sup> Mr Anthony Close, *Transcript of evidence*, p. 6.

<sup>18</sup> Ms Louise Staley MP, *Transcript of evidence*, p. 4.

<sup>19</sup> Ibid.

<sup>20</sup> Parliamentary Budget Officer, *Annual Report 2019–20*, Melbourne, 2020, p. 9.

<sup>21</sup> Parliamentary Budget Office, *Report of PBO operations for the 2018 Victorian general election*, Melbourne, 2019, p. 13.

### 4.3.1 Responses to information requests

Requests for information must be made under Section 26 of the Act. Public sector bodies are required to respond to requests for information under Section 26 within three business days. When responses are not within the legislated timeframes, the Act is breached.<sup>22</sup>

In the *Report of PBO operations for the 2018 Victorian general election*, the Parliamentary Budget Officer stated that 287 information requests were made to public sector bodies for the 2018 general election. During the election period 44% were responded to in time, 38% were late and 18% were not responded to at all.<sup>23</sup> Responsiveness has continued to decline since then. In 2019–20, 25% of requests were responded to in time (Table 4.3).

**Table 4.3** Timeliness of public sector responses to information requests

Timeliness of responses	2018–19 (%)	2019–20 (%)
In-time response	43	25
Late response	41	67
No response	16	8

Source: Parliamentary Budget Office, *Annual Report 2018–19*, Melbourne, 2019, p. 7; Parliamentary Budget Office, *Annual Report 2019–20*, Melbourne, 2020, p. 11.

In 2019–20, the three departments which most often breached the timeliness requirements set out in the Act were:

- The Department of Transport (91% late or nil responses).
- The Department of Treasury and Finance (DTF) (88% late or nil responses).
- The Department of Jobs, Precincts and Regions (75% late or nil responses).

A full list of departments and the timeliness of their responses is provided in Appendix B.

In the PBO's 2019–20 Annual Report, the Parliamentary Budget Officer has stated that:

- Members of Parliament continue to identify significant frustration with delays in responses as a result of poor timeliness of public sector information supply.
- The office is generally unable to provide services to Members that support parliamentary debate, where there is two weeks' notice of debate topics.<sup>24</sup>

<sup>22</sup> Parliamentary Budget Office, *Annual Report 2018–19*, Melbourne, 2019, p. 7.

<sup>23</sup> Parliamentary Budget Office, *Report of PBO operations for the 2018 Victorian general election*, pp.14–16.

<sup>24</sup> Parliamentary Budget Officer, *Annual Report 2019–20*, p. 9.

The Parliamentary Budget Officer has also stated:

The lived experience over 2 years of many public sector body heads is that there is no consequence to breaching the timeliness requirement of the Act and no consequence to my public reporting of public sector performance.<sup>25</sup>

**FINDING 20:** In 2019–20, 75% of responses to requests breached Section 26(3) of the *Parliamentary Budget Officer Act 2017* (Vic). The three departments with the highest proportion of late and/or nil responses in 2019–20 were the Department of Transport, the Department of Treasury and Finance, and the Department of Jobs, Precincts and Regions.

4

The Committee heard from Members of Parliament that the delays experienced by the Parliamentary Budget Officer accessing information from the Victorian public service had impacted on their work. The Leader of the Victorian Greens advised the Committee:

There is a currency often to an issue. To be able to get that advice in a timely way has a really significant impact on whether you can contribute to that debate meaningfully, so sometimes it means that you will not be able to contribute to it. You may not be able to refer to that advice in parliamentary debates, for example. I think that is really crucial and one that the committee should start looking at as well, because the Parliamentary Budget Office has the potential to really contribute to our parliamentary debates should it be able to provide the advice in a bit more of a timely fashion and not be delayed by information requests being delayed. Sometimes it means that you cannot contribute at all because you have to change the request because sometimes you do not get the information at all. It is not just a delay; you are not given that information.<sup>26</sup>

In addition, the Shadow Treasurer stated:

It would be my personal preference to use the PBO for our election costings. However, particularly in relation to transport infrastructure we cannot be confident that we would get a costing in any sort of time line that would allow us to announce a policy, so I am very constrained on this. As the person within the opposition who puts all the policies together in the sense of financials, I would like to use the PBO because I have found their work to be excellent, but I cannot have that confidence.<sup>27</sup>

The Leader of Derryn Hinch's Justice Party also highlighted issues he had experienced with the delays associated with accessing information from public sector bodies.<sup>28</sup>

In addition, the Leader of the Transport Matters Party stated:

we understand that in some cases there are delays in completing costings as they can rely on input from Government departments which have not always been forthcoming with the necessary information or have provided incomplete data with extensive delays.

<sup>25</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, correspondence, 30 September 2020, p. 2.

<sup>26</sup> Dr Samantha Ratnam MLC, *Transcript of evidence*, p. 4.

<sup>27</sup> Ms Louise Staley MP, *Transcript of evidence*, p. 5.

<sup>28</sup> Mr Stuart Grimley MP, Leader, Derryn Hinch's Justice Party, *Submission 3*, p. 1.

Reflecting these concerns, the Parliamentary Budget Officer advised the Committee:

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.<sup>29</sup>

**FINDING 21:** Delays in public sector responses to information requests from the Parliamentary Budget Office have negatively impacted the work of some Members of Parliament, including their contributions to parliamentary debates and informing election costings.

At the public hearings on 26 April 2021, the Secretary of DTF advised the Committee that delayed responses were often due to competing priorities within public sector bodies:

We have had requests from the PBO in the week or two leading up to our budget, so to answer that information request within three days can be difficult. It might take five days, for example. All departments are doing their best to provide the information in the time frame outlined in the legislation. Where we cannot provide it within the three days we notify the PBO that it is not practical to provide it within that time frame.<sup>30</sup>

The Committee notes that the establishment of arrangements for information supply under Section 25 of the Act allow timeframes for information requests to be negotiated beyond the three business days set out in the Act.

### 4.3.2 Recourse for delayed responses

While legislated access can facilitate the transfer of information to IFIs, there are situations that can occur where it is useful if a mechanism exists for the IFI to seek a remedy if a department does not comply with its request for information.<sup>31</sup> In the large majority of cases internationally, recourse is provided through notification to the leaders of the relevant houses of Parliament. Appendix C provides some examples of recourse mechanisms available to IFIs internationally.

Under the Act, there is no recourse available to the Parliamentary Budget Officer in instances where a public sector body's response does not meet the legislated timeframes. In the 2019 review of the Victorian PBO undertaken by the OECD, the lack of recourse was noted, with the OECD stating that additional legislative mechanisms could be considered in order to make that procedure more effective.<sup>32</sup>

<sup>29</sup> Mr Anthony Close, *Transcript of evidence*, p. 2.

<sup>30</sup> Mr David Martine, Secretary, Department of Treasury and Finance, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 6.

<sup>31</sup> Organisation for Economic Co-operation and Development, *Submission 12*, received 7 May 2021, p. 9.

<sup>32</sup> Organisation for Economic Co-operation and Development, *OECD Independent Fiscal Institutions Review*, p. 28.

**FINDING 22:** There is no legislated recourse available for the Parliamentary Budget Officer when the public service is late with, or does not respond to, an information request.

In a submission made to the inquiry, the Canadian Parliamentary Budget Officer stated that data access for the office had improved following amendments to the enabling legislation, to provide recourse to the Speakers of the House and Senate when the public service refuses or ignores an information request.<sup>33</sup> The Canadian PBO recommended:

the existence of an explicit parliamentary mechanism to adjudicate disagreements regarding information access has encouraged more thoughtful, timely engagement by the public service.<sup>34</sup>

The importance of this recourse was also emphasised by the OECD in their evidence provided to the Committee. The Committee heard that while the Canadian PBO had not resorted to exercising their power under the legislation, the existence of the mechanism had encouraged healthy relationships for the provision of information.<sup>35</sup>

The Victorian Auditor-General also advised that his office relied primarily on relationships to ensure information supply and has not made use of the coercive powers under the *Audit Act 1994* (Vic). However, the Auditor-General stated that the powers were useful, and that public sector agencies were aware of them.<sup>36</sup>

**FINDING 23:** A legislated mechanism that provides recourse to the Parliamentary Budget Officer has improved the overall supply of information in other jurisdictions.

**RECOMMENDATION 9:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017* (the Act) to provide a means of recourse where responses to information requests are not received or breach Section 26(3) of the Act.

## 4.4 Establishing a culture that promotes effective and timely information supply

Globally, the influence of IFIs on government departments is primarily persuasive rather than coercive.<sup>37</sup> Consequently, IFIs focus on ensuring they build and maintain good relationships with the government departments they request information from.<sup>38</sup> These

<sup>33</sup> Mr Yves Giroux, Canadian Parliamentary Budget Officer, Office of the Parliamentary Budget Officer, *Submission 1*, p. 2.

<sup>34</sup> Ibid.

<sup>35</sup> Mr Scott Cameron, Policy analyst, Organisation for Economic Cooperation and Development, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, pp. 5–6.

<sup>36</sup> Mr Andrew Greaves, Auditor-General, Victorian Auditor-General's Office, Melbourne, 26 April 2021, *Transcript of evidence*, p. 3.

<sup>37</sup> Lisa von Trapp and Scherie Nicol, 'Measuring IFI independence', p. 49.

<sup>38</sup> Larry Honeysett, *Briefing Note: Access to information for Independent Fiscal Institutions (IFIs)*, report for Organisation for Economic Cooperation and Development, Paris, 2020, p. 8.

relationships are improved, and can be effectively maintained, through the existence of a culture within the public sector that recognises the importance of ensuring cooperation and access to information.<sup>39</sup>

The Victorian Auditor-General advised the Committee that the public sector ‘understands completely the role and powers and functions of the Auditor-General.’ As a result, his office experienced few delays in accessing timely information.<sup>40</sup>

The Leader of the Victorian Greens stressed that fostering an information sharing/open culture was the best means to ensure responsiveness from the public sector, stating:

I think, ideally, you want to get the cultural change. You want government and its departments to provide that information that often it has at hand. Often there is information, and we do not see why they do not have that information—they should be able to provide it. So ideally you want government to be willing to create the culture—from its ministers to its department secretaries and all the way down—where information transparency and accountability are part of the culture that you are really proud of and not something you are shying away from.<sup>41</sup>

Consistent with this, the Leader of the Transport Matters party stated that responsibility must fall to the relevant minister to ensure a culture of compliance in their portfolio.<sup>42</sup>

The Commonwealth Parliamentary Budget Officer informed the Committee that while there was a role for more formal mechanisms such as MoUs, these needed to be combined with a culture of sharing and regularity of information provision.<sup>43</sup> The Commonwealth Parliamentary Budget Officer advised that this culture came from the highest echelons of government:

That is backed up by a protocol signed at prime ministerial level when this institution was first created after the 2010 election and signed subsequently after the 2013 election, and that really provides a guarantee to everyone in the process about the ways in which questions and data will be treated with confidence and really the expectations about information being shared.<sup>44</sup>

A copy of the latest protocol signed by the Prime Minister and Commonwealth PBO is set out in Appendix D.

**FINDING 24:** An established culture within public sector bodies that facilitates and respects cooperation, access to information, transparency, and accountability, is a key prerequisite to ensuring a Parliamentary Budget Officer can effectively fulfil their mandate.

<sup>39</sup> Ibid., p. 7.

<sup>40</sup> Mr Andrew Greaves, *Transcript of evidence*, p. 4.

<sup>41</sup> Dr Samantha Ratnam MLC, *Transcript of evidence*, p. 6.

<sup>42</sup> Mr Rod Barton MP, Leader, Transport Matters Party, *Submission 12*, p. 2.

<sup>43</sup> Dr Stein Helgeby, Parliamentary Budget Officer, Commonwealth Parliamentary Budget Office, public hearing, Melbourne, 27 April 2021, *Transcript of evidence*, p. 3.

<sup>44</sup> Ibid.



**RECOMMENDATION 10:** The Executive consider the approval of protocols that clearly outline expectations of how information held by the Victorian public sector will be shared with the Parliamentary Budget Officer, including timeframes for responses, confidentiality, and levels of access.

## 4.5 Access to information—quality

Some of the information used by IFIs is available in the public domain. However, IFIs often require access to the underlying data and assumptions, calculations, and models that government departments use to ensure that costings are as accurate as possible.<sup>45</sup> If this information is not available, an IFI may be able to provide responses to requests using publicly available data to recreate models and assumptions.<sup>46</sup> However, this is necessarily limited and resource intensive, which reduces efficiency.<sup>47</sup>

Consistent with this, in a review of the Commonwealth Parliamentary Budget Officer in 2017, it was found that effective access to Government information helped the PBO to operate with fewer resources than were suggested as necessary by the Commonwealth Departments of the Treasury and Finance prior to its establishment.<sup>48</sup>

In correspondence provided to the Committee on 30 September 2020, the Parliamentary Budget Officer raised concerns regarding an inability to access information available to government departments. The Parliamentary Budget Officer stated:

I am increasingly relying on publicly available information and documents, as well as alternative information sources. This diminishes the core value of the PBO to provide credible costings and advice using information from the public sector to ‘level the playing field’.<sup>49</sup>

At the public hearings on 26 April 2021, the Parliamentary Budget Officer advised the Committee that although there was good publicly available information, this information was still not as good as that within the public sector in terms of credibility and accuracy.<sup>50</sup>

<sup>45</sup> Larry Honeysett, *Briefing Note: Access to information for Independent Fiscal Institutions (IFIs)*, p. 3.

<sup>46</sup> Organisation for Economic Co-operation and Development, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, p. 12.

<sup>47</sup> Parliamentary Budget Officer, *Annual Report 2019–20*, p. 10.

<sup>48</sup> Ian Watt and Barry Anderson, *Parliamentary Budget Office Review 2017: Report of the Independent Panel*, report for Joint Committee of Public Accounts and Audit, Canberra, 2017, p. 25.

<sup>49</sup> Mr Anthony Close, correspondence, 30 September 2020, p. 4.

<sup>50</sup> Mr Anthony Close, *Transcript of evidence*, p. 5.

### 4.5.1 Access to models

Sections 25 and 26 of the Act state that the Parliamentary Budget Officer may make arrangements or requests to obtain ‘information and documents’ relevant to the officer’s function.<sup>51</sup> However, the legislation does not explicitly define these terms.

The Parliamentary Budget Officer informed the Committee that he had received legal advice that the Act includes ‘models’ within its definition of ‘information and documents.’ However, the PBO had received no costing or economic models from public sector body heads to date in response to several information requests.<sup>52</sup> At the public hearings on 26 April 2021, the Secretary of DTF advised the Committee why models had not been provided to the PBO, stating:

When we get requests from the PBO we provide the data that might be relevant to undertake those calculations, but what we do not provide is the actual tool, and the reason we are not providing that is that the Act requires information and data.<sup>53</sup>

The Committee heard evidence that the Act could be improved to better clarify the types of information made available to the PBO. Dr Usman Chohan advised the Committee that the Act could be more prescriptive in the kinds of information made available to the PBO, noting that if the definition was too broad, the PBO would face heightened resistance to information requests.<sup>54</sup> The OECD also advised:

[the Victorian legislation] was not very specific in the description of this; it just would have ‘access to information’... But the more precise the legislation is, the better. So if it says ‘They have access to the government’s models’ would be ideal...<sup>55</sup>

The Commonwealth PBO’s legislation also states that the Parliamentary Budget Officer may make an arrangement to obtain ‘information and documents.’ However, the MoU established between the Commonwealth PBO and Heads of Commonwealth departments clearly defines ‘information’ as including models involved in generating the information.<sup>56</sup>

**FINDING 25:** The *Parliamentary Budget Officer Act 2017* (Vic) could be more specific in the kinds of information that can be requested and accessed by the Parliamentary Budget Officer.

<sup>51</sup> *Parliamentary Budget Officer 2017* (Vic), s 25; *Parliamentary Budget Officer 2017* (Vic), s 26.

<sup>52</sup> Mr Anthony Close, correspondence, 30 September 2020, p. 2.

<sup>53</sup> Mr David Martine, *Transcript of evidence*, p. 6.

<sup>54</sup> Dr Usman Chohan, *Transcript of evidence*, p. 6.

<sup>55</sup> Mr Scott Cameron, *Transcript of evidence*, p. 5.

<sup>56</sup> Commonwealth Parliamentary Budget Office, *Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in relation to the Provision of Information and Documents*, Canberra, 2012, p. 11.

**RECOMMENDATION 11:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017 (Vic)* to further outline the kinds of information that can be accessed by the Parliamentary Budget Officer.

## 4.6 Confidentiality of Member of Parliament requests

At the establishment of the PBO, the Government stated that the office would maintain the highest standards of confidentiality and integrity.<sup>57</sup>

### 4.6.1 Legislative requirements

There are a number of sections of the Act that allow for the confidentiality of Members of Parliament to be maintained when they make requests of the PBO:

- Section 19(2) places confidentiality requirements on PBO officers relating to information or documents given to the officer in confidence by a public sector body head.<sup>58</sup>
- Section 19(4) requires that PBO officers do not disclose any information relating to requests made by Members of Parliament in making requests for information. This extends to the identity of the Member of Parliament making the request.<sup>59</sup>
- Sections 38, 40, 46 and 48 allow Members of Parliament to request public release of the Officer's responses to their requests that they have received confidentially.<sup>60</sup>

However, the Act does not set out confidentiality requirements for public sector bodies that receive information requests from the PBO.

In the *Report of PBO operations for the 2018 Victorian general election*, the PBO recommended that the Act be amended to introduce confidentiality requirements on public sector bodies and public sector body heads when dealing with the Officer's requests for information and documents.<sup>61</sup> As at 3 June 2021, this recommendation had not been implemented by the Government.

**FINDING 26:** The *Parliamentary Budget Officer Act 2017 (Vic)* does not set out confidentiality requirements for public sector bodies that receive information requests from the PBO.

<sup>57</sup> Hon Tim Pallas MP, *Labor To Establish Parliamentary Budget Office*.

<sup>58</sup> *Parliamentary Budget Officer Act 2017 (Vic)* s 19(2).

<sup>59</sup> *Ibid.*, s 19(4).

<sup>60</sup> Parliamentary Budget Officer, *Report of PBO operations for the 2018 Victorian general election*, p. 11.

<sup>61</sup> *Ibid.*, p. 13.

To limit risk associated with maintaining the confidentiality of Member of Parliament requests, the Victorian Parliamentary Budget Officer has included protocols as part of information requests to the public sector. These request:

- A security classification of ‘confidential’.
- Use of the ‘need to know’ principle within the public sector when responding to the Officer’s requests for information.
- That public sector body heads not advise their Minister or other public sector bodies.<sup>62</sup>

In the *Report of PBO operations for the 2018 Victorian general election*, the Parliamentary Budget Officer stated that during the election costing period, the Officer became aware of an instance where communications in relation to a confidential information request to a public sector body head was shared amongst the Victorian Secretaries Board (VSB). The Parliamentary Budget Officer has stated that his established protocols are obviously not perceived to carry the weight of an explicit legislative requirement.<sup>63</sup>

The Parliamentary Budget Officer has consistently advised that maintaining the confidentiality of Member of Parliament requests when seeking information and documents from the public sector represents a strategic risk to the PBO.<sup>64</sup> In evidence provided to the Committee, the Parliamentary Budget Officer stated that risks to member confidentiality would result in them not using the PBO’s services.<sup>65</sup>

Reflecting this, the Committee heard evidence from the Shadow Treasurer that the confidentiality risk associated with using the PBO to cost policies was too high, and there was no confidence that requests would not be leaked.<sup>66</sup>

**FINDING 27:** There is a perceived risk to the confidentiality of requests from Members of Parliament when the PBO is seeking information from the public sector which is considered by the PBO to translate into member hesitancy in using the services of the Parliamentary Budget Office.

Notably, there is no legislative provision in the *Parliamentary Service Act 1999* (Cth) to ensure the confidentiality of Member of Parliament’s requests is maintained by members of the Commonwealth Public Service outside of the Commonwealth PBO. However, the Commonwealth Parliamentary Budget Officer informed the Committee that the confidentiality of requests was maintained through the *Australian Government*

<sup>62</sup> Ibid., p. 11.

<sup>63</sup> Ibid., pp. 11-12.

<sup>64</sup> Ibid., p. 13; Mr Anthony Close, correspondence, 30 September 2020, p. 1.

<sup>65</sup> Mr Anthony Close, *Transcript of evidence*, p. 6.

<sup>66</sup> Ms Louise Staley MP, *Transcript of evidence*, p. 4.

*Protocols Governing the Engagement between Commonwealth Bodies and the Parliamentary Budget Officer* (the Australian Government Protocols).<sup>67</sup> These require that:

- Heads of Commonwealth bodies and their staff must not disclose to the Government the details of a request for information.
- Government Ministers and their staff will not ask the Heads of Commonwealth bodies or their staff to provide them with details of a request.
- The Heads of Commonwealth bodies and their staff must not disclose the details of a request for information unless required to do so by law.<sup>68</sup>

The Commonwealth Parliamentary Officer advised the Committee that this protocol had effectively ensured the confidentiality of Member of Parliament requests, stating:

there is a veil of confidentiality between us and departments and between departments and their ministers, and that is signed off on by prime ministers.<sup>69</sup>

**FINDING 28:** At the Federal level, in the absence of a legislative requirement, a protocol established by the head of a government has been an effective way to maintain the confidentiality of Member of Parliament requests to the Parliamentary Budget Officer.

**RECOMMENDATION 12:** The Parliament consider amending the *Parliamentary Budget Officer Act 2017* (Vic), or the Executive consider the implementation of protocols, in order to introduce confidentiality requirements on public sector bodies and public sector body heads when dealing with the Parliamentary Budget Office's requests for information and documents.

## 4.6.2 Arrangements for information supply and confidentiality

One of the Parliamentary Budget Officer's first actions in establishing the PBO in 2018 was to meet with Deputy Secretaries and executive teams of the portfolio departments to raise awareness of their ability to sign MoUs under Section 25 for information supply.<sup>70</sup>

Following the establishment of the PBO, the Secretary of DTF wrote to the Parliamentary Budget Officer advising that the VSB would seek to establish arrangements under Section 25 collectively. The VSB's proposed arrangement required

<sup>67</sup> Dr Stein Helgeby, *Transcript of evidence*, p. 2.

<sup>68</sup> Commonwealth Parliamentary Budget Office, *Australian Government Protocols Governing the Engagement between Commonwealth Bodies and the Parliamentary Budget Officer*, 2013, <[https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Budget\\_Office/Guidance\\_for\\_Commonwealth\\_Agencies/protocols](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Guidance_for_Commonwealth_Agencies/protocols)> accessed 27 April 2021.

<sup>69</sup> Dr Stein Helgeby, *Transcript of evidence*, p. 3.

<sup>70</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, *Submission 10a*, received 3 May 2021, p. 3.

that requests for information and documents to any public sector body were made through portfolio department heads (members of the VSB) and that the Secretaries be copied in on any response provided.<sup>71</sup>

However, based on the importance of maintaining the confidentiality of requests by Members of Parliament, the Parliamentary Budget Officer assessed that the risk to confidentiality under the terms proposed by the VSB was too high.<sup>72</sup>

At the public hearings on 26 April 2021, the Secretary of DTF advised the Committee that they had provided comments in March 2021 on the most recent version of the MoU received from the Parliamentary Budget Officer.<sup>73</sup> In a submission provided to the inquiry, the Parliamentary Budget Officer contended that in his view the proposed changes further obstruct the signing of an MoU. The Parliamentary Budget Officer suggested that the proposed changes:

- Appear to continue the proposal of one state-wide MoU.
- Continue to propose arrangements that were unacceptable in 2018 to ensure continued use of the PBO by Members of Parliament.
- Go well beyond the scope of a MoU for information supply adding legally enforceable obligations on the PBO and directing the PBO to comply with government policy.
- Propose new constraints to the PBO that seek to further weaken the intent of the Act by limiting the types of information and documents that the PBO can request, as well as remove the requirements for the PSB head to advise reasons for not complying with the PBO information request in accordance with the Act.
- Propose cost-shifting to the PBO for the supply of information at the discretion of the Secretary.<sup>74</sup>

## 4.7 Transparency including operational reporting

IFIs have a special duty to provide information and act in as transparent a manner as possible.<sup>75</sup> The Act sets out clear transparency requirements for the Parliamentary Budget Officer (Table 4.4).

<sup>71</sup> Parliamentary Budget Officer, *Report of PBO operations for the 2018 Victorian general election*, p. 12.

<sup>72</sup> *Ibid.*, p. 13.

<sup>73</sup> Mr David Martine, *Transcript of evidence*, p. 5.

<sup>74</sup> Mr Anthony Close, *Submission 10a*, p. 3.

<sup>75</sup> Organisation for Economic Co-operation and Development, *Recommendation of the Council on Principles for Independent Fiscal Institutions*, p. 4.

**Table 4.4** Transparency requirements of the *Parliamentary Budget Officer Act 2017 (Vic)*

Location	Requirement
Section 23	Requires the transmission of the PBO's annual Operational Plan to each house of Parliament before the commencement of that financial year.
Section 24(5)	Requires that the PBO publicly release each revision of its protocols for requests for policy costing and advisory services.
Section 25(3)	Requires the PBO to publicly release an arrangement for information supply made with the head of a public sector body.
Section 27	Requires that the Parliamentary Budget Officer prepare a report of PBO operations during election costing periods. This includes a clear timeframe within which the Parliamentary Budget Officer must provide the report to the Chairperson of the PAEC.
Section 28	Requires the Parliamentary Budget Officer to prepare a report of the operations for each financial year. This must be provided to the Chairperson of the PAEC on or before 31 October next following the financial year to which it relates.
Section 41	Requires the Parliamentary Budget Officer to prepare a post-election report on the policies of each parliamentary leader that were publicly announced before the date of the general election. Under Section 41(5), the Parliamentary Budget Officer must publicly release each post-election report or each statement under subsection (4) within two months after the date of the general election.

Source: *Parliamentary Budget Officer Act 2017 (Vic)*.

In its review of the Victorian PBO, the OECD found that the provisions in the Act ensure that the PBO acts transparently in its operations.<sup>76</sup> The Committee notes that the Parliamentary Budget Officer has met the transparency requirements in the Act and published a wide range of information on its website. This includes the annual tabling of operational plans, post-election reports, publication of protocols on Member of Parliament requests, standing arrangements for information supply with public sector bodies, and annual reports of operations.

The Leader of the Victorian Greens stated that the information released publicly by the PBO, such as budget analyses and the COVID-19 Policy Tracker, played an important role in promoting transparency.<sup>77</sup> Dr Usman Chohan also advised the Committee that the PBO was doing a good job in terms of transparency, while meeting its legislated obligations.<sup>78</sup>

**FINDING 29:** The Parliamentary Budget Office has complied with its transparency requirements under the *Parliamentary Budget Officer Act 2017 (Vic)*.

<sup>76</sup> Organisation for Economic Co-operation and Development, *OECD Independent Fiscal Institutions Review*, p. 30.

<sup>77</sup> Dr Samantha Ratnam MLC, *Transcript of evidence*, p. 2.

<sup>78</sup> Dr Usman Chohan, Director, *Transcript of evidence*, p. 10.





# 5 Resourcing arrangements

## 5.1 Introduction

The Public Accounts and Estimates Committee has responsibility for reviewing the resourcing arrangements for the Parliamentary Budget Officer, including reviewing its draft budget.<sup>1</sup> Consistent with this and the first term of reference of the inquiry, this chapter examines the resourcing arrangements for the Parliamentary Budget Office (PBO). This includes the appropriation and staffing levels of the office, and impact on the Parliamentary Budget Officer's capacity to fulfil their legislated mandate. The budgetary processes established for the PBO will be considered and compared to the legislative and operational provisions of other jurisdictions. This chapter also explores the management strategies the Parliamentary Budget Officer employs to undertake their functions within budget.

## 5.2 Financial independence

Independent fiscal institutions (IFIs) are designed to act independently and provide objective analysis that is free from political pressure.<sup>2</sup> To work independently, IFIs require predictable financial resources that are free from government interference.<sup>3</sup>

### 5.2.1 Legislative parameters

The extent to which independence is fostered within an IFI is significantly influenced by the legislation that establishes and governs the institution.<sup>4</sup> The International Monetary Fund has found that countries with IFIs that have either legal or operational guarantees of independence will on average maintain better fiscal outcomes.<sup>5</sup>

The *Parliamentary Budget Officer Act 2017* does not specify a process for determining the PBO's budget, or funding levels for the performance of the office's functions. However, the Committee has an oversight responsibility to review the resourcing arrangements and draft annual budget.<sup>6</sup>

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1 *Parliamentary Budget Officer Act 2017* (Vic) s 54 1b.

2 Lisa von Trapp and Scherie Nicol, 'Measuring IFI independence: A first pass using the OECD IFI database', in Roel Beetsma and Xavier Debrun (eds), *Independent Fiscal Councils: Watchdogs or lapdogs?*, Center for Economic Policy Research, London, 2018, p. 49.

3 Ibid.

4 Ibid.

5 Xavier Debrun and Tidiane Kinda, *Strengthening Post-Crisis Fiscal Credibility: Fiscal Councils on the Rise – A New Dataset*, IMF Working Paper, WP/14/58, International Monetary Fund, Washington DC, 2014, p. 21.

6 *Parliamentary Budget Officer Act 2017* (Vic) s 54 1b.

At the public hearings on 26 April 2021, the Parliamentary Budget Officer suggested to the Committee that the Act could be changed to further enhance the independence of the office particularly in relation to funding.<sup>7</sup> This was also noted by the Organisation for Economic Co-operation and Development (OECD) in its 2019 review of the PBO, which found that the process for deciding the PBO's budget was not set out in legislation, and that the PBO was required to conform to the general budget process for government agencies.<sup>8</sup>

**FINDING 30:** The *Parliamentary Budget Officer Act 2017 (Vic)* does not specify a process for determining the PBO's budget, or funding levels for the performance of the office's functions.

The Commonwealth PBO's enabling legislation outlines the appropriation for the office from a consolidated revenue fund.<sup>9</sup> This provides the basis for the Commonwealth's Joint Committee on Public Accounts and Audit (JCPAA) to review and make recommendations to Parliament on the institution's draft budget and resources.<sup>10</sup> The JCPAA tables an annual statement in the Parliament on the draft budget provided by the Commonwealth PBO, advising whether the JCPAA approves the draft budget and requested funding. The most recent statement provided by the JCPAA approved the request by the Commonwealth Parliamentary Budget Officer for an additional \$3.6 million over the forward estimates, stating:

The JCPAA supports the Parliamentary Budget Officer's request for additional funding over the forward estimates, acknowledging the continued difficult budgetary conditions arising from the COVID-19 pandemic.<sup>11</sup>

There are further examples of institutions in the OECD that have both funding levels and funding mechanisms set out in legislation. Article 19 of the Italian PBO's enabling legislation established a permanent financing arrangement that may only be amended through the annual budget legislation, pursuant to advice from the institution's governing board.<sup>12</sup> Further, the legislation provides that irrespective of any amendments, the Italian PBO's budget must be adequate to ensure effective performance of its mandate.<sup>13</sup>

7 Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 3.

8 Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, report for the Organisation for Economic Cooperation and Development, Paris, 2019, pp. 20–21.

9 *Parliamentary Service Amendment (Parliamentary Budget Officer) Act 2011 (Cth)*, s 64D.

10 *Ibid.*, s 64R, s 64S.

11 Joint Committee of Public Accounts and Audit, *2021–22 Draft Estimates for the Australian National Audit Office and the Parliamentary Budget Office*, Canberra 2021, p. 1.

12 Lisa von Trapp, Ian Lienert and Joachim Wehner, 'Principles for independent fiscal institutions and case studies', *OECD Journal on Budgeting*, vol. 2015, no. 2, 2016, p. 146.

13 *Ibid.*

## 5.2.2 Annual appropriation

The PBO must comply with the annual appropriation process established by the *Financial Management Act 1994 (Vic)*, managed by the Department of Treasury and Finance (DTF).<sup>14</sup> That is, participate in the Executive budgetary process. The Parliamentary Budget Officer has advised the Committee that this process requires the PBO to provide output measures to the DTF to justify budget bids and to obtain Cabinet Expenditure Review Subcommittee (ERC)<sup>15</sup> approval of funding proposals.<sup>16</sup>

In correspondence to the Committee the Parliamentary Budget Officer stated that this arrangement prevents them from:

- Discussing a budget submission's existence, content or status with the Committee, due to the submission being classified as cabinet-in-confidence.
- Receiving feedback on the outcomes of a budget submission, due to DTF not being able to discuss cabinet-in-confidence budget decisions with an independent officer of the Parliament.
- Providing feedback to the Committee on the results of the PBO's budget submissions.<sup>17</sup>

The Parliamentary Budget Officer has previously advised the Committee that in his view the limitations of the Executive budgetary process prevents the Committee from performing its oversight role and from effectively fulfilling its statutory obligations to review the PBO's draft budget.<sup>18</sup> At the public hearings on 26 April 2021, the Parliamentary Budget Officer said that:

There is ... 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.<sup>19</sup>

<sup>14</sup> Department of Treasury and Finance, *Standing Directions 2018 Under the Financial Management Act 1994*, Issued 11 October 2018, incorporating revisions to 1 February 2021, Melbourne, <<https://www.dtf.vic.gov.au/sites/default/files/document/Standing-Directions-2018.pdf>> accessed 20 May 2021, pp. 3, 9, 10, 11; Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, pp. 20–21.

<sup>15</sup> The Cabinet Expenditure Review Subcommittee oversees the process by which the Victorian Government decides on the overall level of expenditure for the State, and how the expenditure is to be allocated.

<sup>16</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, correspondence, 11 March 2020, p. 1.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Mr Anthony Close, *Transcript of evidence*, p. 3.

**FINDING 31:** The PBO must comply with the annual appropriation process established by the *Financial Management Act 1994 (Vic)*, managed by the Department of Treasury and Finance and participate in the Executive budgetary process. Whilst the Public Accounts and Estimate Committee has statutory obligations to review the Parliamentary Budget Officer's draft budget under Section 54 (1b) of the *Parliamentary Budget Officer Act 2017 (Vic)* and does so effectively, the Committee has no role in the ultimate allocation of funding.

### 5.2.3 International best practice

The OECD's *Recommendation on Principles for Independent Fiscal Institutions* outlines best practice principles to ensure the financial independence of IFIs.<sup>20</sup> In addition to having resources commensurate to their mandate, Principle 4.1 states that:

- The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies, such as audit offices, in order to ensure their independence (e.g. separate budget line).
- Multiannual funding commitments may further enhance IFIs independence and provide additional protection from political pressure.<sup>21</sup>

The 2019 OECD IFI Database describes the key features of 36 national and subnational IFIs, including the extent to which measures to safeguard financial independence have been implemented across international jurisdictions.<sup>22</sup> To provide a peer-level point of reference, Table 5.1 presents the data of PBOs in OECD countries, and the extent that they align with Principle 4.1's requirements that they have a separate budget line and multi-annual funding.<sup>23</sup> Data on the NSW PBO has also been added for comparative purposes. The table shows that full alignment with Principle 4.1 is rare, with only the Commonwealth PBO demonstrating this.

20 Organisation for Economic Co-operation and Development, *Recommendation of the Council on Principles for Independent Fiscal Institutions*, Paris, 2014.

21 Ibid., p. 3.

22 The IFI Database covers topics such as context for establishment, legislative basis, relationship with the legislature, independence, leadership, resources, mandate and functions, access to information, and evaluation. Organisation for Economic Co-operation and Development, *Network of Parliamentary Budget Officials and Independent Fiscal Institutions*, 2019, <<https://www.oecd.org/gov/budgeting/parliamentary-budget-officials>> accessed 5 May 2021.

23 The three main institutional models for IFIs observed across the OECD consist of: 1) Fiscal Councils comprised of academics, stakeholders or interest groups, with varying degrees of independence; 2) PBOs which are more likely to have a policy costing role. They focus on assisting legislative oversight of the budget and supporting the work of budget committees; 3) IFIs established as autonomous units connected to audit institutions. Source: Lisa von Trapp and Scherie Nicol, 'Measuring IFI independence: A first pass using the OECD IFI database', p. 55; Organisation for Economic Co-operation and Development, *Recommendation of the Council on Principles for Independent Fiscal Institutions and Case Studies*, p.3.

**Table 5.1** Financial independence of Parliamentary Budget Offices in OECD countries

Country and institution name	Separate budget line	Multi-annual funding
Victoria PBO	●	◐
Commonwealth PBO (Australia)	●	●
Austria PBO	○	○
Canada PBO	●	○
Financial Accountability Office of Ontario (Canada)	○	○
Greece PBO	○	○
Oireachtas PBO (Ireland)	○	◐
Italy PBO	○	◐
Korea National Assembly Budget Office	●	○
Mexico Center for Public Finance Studies	○	○
New South Wales PBO <sup>a</sup>	○	○
United States Congressional Budget Office	●	○

●= Yes, ○= No, ◐= Partial

- a. The NSW PBO does not have a separate budget line in NSW State Budget and is a temporary office that only functions during election periods.

Source: Organisation for Economic Co-operation and Development, *IFI Database*, <<https://www.oecd.org/gov/budgeting/parliamentary-budget-officials>> accessed 5 May 2021. Committee Calculation; New South Wales Government, *Budget Estimates 2018-19*, <[https://www.budget.nsw.gov.au/sites/default/files/budget-2018-06/Budget\\_Paper\\_3-Budget%20Estimates-Budget\\_201819.pdf](https://www.budget.nsw.gov.au/sites/default/files/budget-2018-06/Budget_Paper_3-Budget%20Estimates-Budget_201819.pdf)> accessed 19 May 2021, Section 11, pp. 1-3; *Parliamentary Budget Officer Act 2010 No 83* (NSW) pt 2(11).

**FINDING 32:** Principle 4.1 of the Organisation for Economic Cooperation and Development's (OECD) Recommendation on *Principles for Independent Fiscal Institutions* includes the requirement that they have a separate budget line and multi-annual funding. Across OECD countries that have a Parliamentary Budget Office at the national or subnational level, only the Commonwealth PBO fully aligns with the principle.

The OECD's 2019 review of the PBO found that although it has its own budget line within the appropriation of the Victorian Parliament, and some foresight of future funding, this did not provide full alignment with the principles.<sup>24</sup> The OECD concluded that the limitations in the enabling legislation of the PBO hinders its financial independence.<sup>25</sup>

<sup>24</sup> Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, pp. 20-21.

<sup>25</sup> *Ibid.*, p. 23.

## 5.2.4 Budgeting for independent agencies

Section 8 of the Act states that the Parliamentary Budget Officer is an independent officer of the Parliament.<sup>26</sup> The importance of the PBO achieving financial independence, through alignment of the office's budgeting process with that of other independent officers of the Parliament was discussed at the public hearings.

Dr Usman Chohan, an IFI expert, argued that such an approach would be a disciplined method for 'securing the resources the PBO requires.'<sup>27</sup> Similarly, the OECD advised that keeping the budget of the PBO at 'arm's length' of the Executive would provide an opportunity for the Parliament to play a more direct role in setting the service levels of the PBO.<sup>28</sup> The Shadow Treasurer also expressed support for the regularisation of budget approval processes for independent officers of the Parliament—including the PBO—to provide the Committee with an effective 'setting-the-budget' role.<sup>29</sup>

The Victorian Auditor-General's submission to the inquiry notes that the Victorian Auditor-General's Office (VAGO), the Victorian Ombudsman, and the Independent Broad-based Anti-Corruption Commission are currently considering options to put to the Government to strengthen their overall independence. The Victorian Auditor-General stated that this would be in line with recommendations made in recent reports by the New South Wales Auditor-General and the New South Wales Parliament's Public Accountability Committee. These reports highlight the importance of:

- Parliamentary oversight of the performance and financial management of agencies, including review of annual budget submissions and recommendations to government on funding priorities.
- Inclusion of a contingency fund in the annual budgets of agencies to address unbudgeted financial demands.
- Agencies being allocated their funding directly and demonstrating their accountability as prudent managers of their financial resources.<sup>30</sup>

Reflecting these insights, the Victorian Auditor-General recommended that the inquiry 'consider an appropriate legislative framework for the PBO as an independent officer of Parliament, and in particular, independence of the budget process for the PBO.'<sup>31</sup>

<sup>26</sup> *Parliamentary Budget Officer Act 2017 (Vic)* s 8.

<sup>27</sup> Dr Usman Chohan, Director, Economic Affairs and National Development, Centre for Aerospace and Security Studies, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 5.

<sup>28</sup> Mr Scott Cameron, Policy analyst, Organisation for Economic Cooperation and Development, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 3.

<sup>29</sup> Ms Louise Staley MP, Shadow Treasurer, Liberal Party, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 5.

<sup>30</sup> Audit Office of New South Wales, *The Effectiveness of Financial Arrangements and Management Practices in Four Integrity Agencies*, Sydney, 2020; Public Accountability Committee, *Budget process for independent oversight bodies and the Parliament of New South Wales: First report*, Sydney, 2021, pp. 33–34; Public Accountability Committee, *Budget process for independent oversight bodies and the Parliament of New South Wales: Final report*, Sydney, 2021, pp. 33–34.

<sup>31</sup> Andrew Greaves, Victorian Auditor-General, *Submission 2*, received 14 April 2021, p. 3.

In its 2019 review the OECD identified that the PBO's budget approval process contrasts with that of other independent agencies.<sup>32</sup> For example VAGO's annual budget is to be determined in consultation with the Committee, not DTF, under Section 77(2) of the *Audit Act 1994* (Vic).<sup>33</sup> Notably in practice, VAGO negotiates directly with DTF on its budget and the Committee is subsequently provided with a copy of the draft budget. The OECD concluded that the current process puts the financial independence of the PBO at risk, and legislative change could better protect the PBO's budget from political pressure.<sup>34</sup> The OECD recommended the inclusion of provisions to stipulate that the PBO's budget is determined in consultation with the Committee, taking into account the office's operational plan.<sup>35</sup>

Similarly, the New South Wales Parliament's Public Accountability Committee has observed that reporting to the Government via the Cabinet, particularly as part of the budgeting process, directly conflicts with the independence of independent officers of the Parliament.<sup>36</sup>

The Canadian PBO's budget is set annually by Parliament through a proposal transmitted to the Speakers of the House and the Senate for approval, which is then incorporated in the Government's overall appropriation bill considered by Parliament.<sup>37</sup> The Canadian PBO's submission to the inquiry notes that the annual baseline budget for the office is unchanged since 2019, and Parliament has agreed to provide temporary top-up funding in 2019 to support additional work arising from the 2019 election.<sup>38</sup>

**RECOMMENDATION 13:** The Parliament consider amending the *Parliamentary Budget Officer Act (2017)* (Vic) to provide for greater financial independence.

The Committee notes that due to discrepancies in the Act regarding the financial reporting of the PBO, the Parliamentary Budget Officer established the office as its own entity and sought an audit by arrangement from VAGO to ensure appropriate accountability. For further discussion see Section 5.2.2 of this report.

<sup>32</sup> Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, p. 22.

<sup>33</sup> *Audit Act 1994* (Vic) s 77(2).

<sup>34</sup> Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, p. 22.

<sup>35</sup> *Ibid.*

<sup>36</sup> Public Accountability Committee, *Budget process for independent oversight bodies and the Parliament of New South Wales*, pp. 33–34.

<sup>37</sup> Mr Yves Giroux, Canadian Parliamentary Budget Officer, Office of the Parliamentary Budget Officer, *Submission 1*, pp. 2–3.

<sup>38</sup> *Ibid.*

## 5.3 Resourcing levels

In evidence to the Committee the Parliamentary Budget Officer highlighted a total underspend of approximately \$4 million from the appropriation of the PBO since its inception.<sup>39</sup> Of this underspend, \$3.8 million occurred in 2017–18, during the two month and one-week period that the PBO operated for. The Parliamentary Budget Officer commenced their role on 23 April 2018, one week prior to the commencement of the election costing period.<sup>40</sup>

Despite the initial underspend, the PBO has operated between 0.7% and 0.9% of its allocated budget in 2018–19 and 2019–20.<sup>41</sup> Table 5.2 provides an outline of the PBO's appropriations and expenditure since its establishment.

**Table 5.2 Victorian Parliamentary Budget Office appropriation and expenditure, 2017–2021**

	2017-18	2018-19	2019-20	2020-21	2021-22	Total
<b>Appropriation (\$ million)</b>						
Establishment	1.1	-	-	-	-	1.1
Treasurer's advance for state election costs	-	0.8	-	-	0.9	1.7
Operations	3.3	3.3	3.3	3.3	3.3	16.5
<b>Total budget approved</b>	<b>4.4</b>	<b>4.1</b>	<b>3.3</b>	<b>3.3</b>	<b>4.2</b>	<b>19.3</b>
<b>Funding utilised (\$ million)</b>						
Employee	0.1	2.6	2.4	2.4 <sup>a</sup>	-	7.5
Secondment, contract and consultancy	-	0.8	0.6	0.4 <sup>a</sup>	-	1.8
Non-staff related	0.5	0.7	0.3	0.3 <sup>a</sup>	-	1.7
<b>Total expenditure</b>	<b>0.6</b>	<b>4.0</b>	<b>3.3</b>	<b>3.1<sup>a</sup></b>	<b>-</b>	<b>11.0</b>
Unused appropriation amount	3.8	0.0	0.0	0.2 <sup>a</sup>	-	4.1
Unused appropriation (%)	87.1%	0.7%	0.9%	6.1% <sup>a</sup>	-	27.2 %

a. This figure is an estimate.

Note: Figures in this table may not add up due to rounding

Source: Victorian Parliamentary Budget Office, *Annual Report 2018-19*, Melbourne, 2019, p. 11; Victorian Parliamentary Budget Office, *Annual Report 2019-20*, Melbourne, 2020, p. 13; Victorian Parliamentary Budget Office, *Operational Plan 2020-21*, <[https://pbo.vic.gov.au/operational\\_plan\\_2020-21](https://pbo.vic.gov.au/operational_plan_2020-21)> accessed 10 May 2021; Department of Treasury and Finance, *Budget Paper No. 3: 2021-22 service delivery*, Melbourne, 2021, pp. 128, 368.

<sup>39</sup> Mr Anthony Close, Parliamentary Budget Officer, Inquiry into the Parliamentary Budget Officer hearing presentation, supplementary evidence received 26 April 2021, p. 23.

<sup>40</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, correspondence, 22 October 2018; Parliamentary Budget Office, *Report of PBO operations for the 2018 Victorian general election*, 2019, Melbourne, p. 5.

<sup>41</sup> Victorian Parliamentary Budget Office, *Annual Report 2018-19*, 2019, Melbourne, p. 11; Victorian Parliamentary Budget Office, *Annual Report 2019-20*, 2020, Melbourne, p. 13; Victorian Parliamentary Budget Office, *Operational Plan 2020-21*, <[https://pbo.vic.gov.au/operational\\_plan\\_2020-21](https://pbo.vic.gov.au/operational_plan_2020-21)> accessed 10 May 2021 (Committee calculation).



**FINDING 33:** Since its establishment in 2017–18, the Parliamentary Budget Office has operated within its allocated budget.

At the public hearings for the inquiry, the DTF stated that the PBO not utilising all its allocated budget between 2017 to 2019 indicated that the current level of appropriation is sufficient for the office to carry out its responsibilities:

What is being delivered for \$3.3 million is a 97 per cent timeliness satisfaction for members of Parliament and an 89 per cent satisfaction with the quality.<sup>42</sup>

The Parliamentary Budget Officer’s submission to the inquiry noted that while the PBO has exceeded its performance measures, it is trading and increasing risk to do so.<sup>43</sup>

### 5.3.1 Surge funding

In the 2018–19 budget update, the PBO received a Treasurer’s advance of \$770,000 to complete set-up costs and provide surge resource capacity for the 2018 state election.<sup>44</sup>

At the public hearings on 26 April 2021, the Parliamentary Budget Officer advised the Committee that the PBO would require \$600,000 to \$700,000 in additional surge funding to operate at the minimum required additional capacity during the election costing period for the 2022 state election.<sup>45</sup> The Secretary of DTF also advised the Committee that the amount proposed by the PBO was appropriate, highlighting that \$770,000 in surge funding was provided to the PBO for the 2018 state election.<sup>46</sup> The Parliamentary Budget Officer explained that the provision of surge funding is both imperative to the delivery of election-related services and time critical, stating:

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.<sup>47</sup>

<sup>42</sup> Mr David Martine, Secretary, Department of Treasury and Finance, public hearing, Melbourne, 26 April 2021, *Transcript of evidence*, p. 10.

<sup>43</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, *Submission 10a*, received 3 May 2021, p. 5.

<sup>44</sup> Mr David Martine, *Transcript of evidence*, p. 2.

<sup>45</sup> Mr Anthony Close, *Transcript of evidence*, p. 6.

<sup>46</sup> Mr David Martine, *Transcript of evidence*, p. 9.

<sup>47</sup> Mr Anthony Close, *Transcript of evidence*, p. 3.

The OECD's 2019 review of the PBO identified the fluctuation of budgetary needs in an election year as a key issue. There are no provisions in the Victorian Act for surge funding to be provided when workloads increase significantly—such as during an election period—as is the case for other IFIs with election costing functions.<sup>48</sup>

In contrast, the Commonwealth PBO has election surge funding guaranteed in legislation every third year.<sup>49</sup> At the public hearings the Commonwealth Parliamentary Budget Officer highlighted the office's reliance on surge funding and management practices to carry out policy costings over the election period:

In an election year [annual appropriation] ... bumps up half a million and bumps up about four or five people. Even then, in an election period, because we have particular responsibilities ... almost everyone in this place would down pens ... on the self-initiated research and they would move across to the costings side for six months, nine months.<sup>50</sup>

Although the OECD's Principles for IFI's recommend that surge funding be ingrained in the enabling legislation of PBOs via a multi-annual framework, the Committee was advised that in practice most jurisdictions determine their institution's election period budgets through annual appropriation.<sup>51</sup>

The OECD raised concerns regarding the use of surge funding as a mechanism to prepare the PBO for election periods. The Committee heard that the resource-intensive nature of policy costing requires ongoing staff with specific programme knowledge.<sup>52</sup> To address this issue the OECD recommended the implementation of a secondment system to resource the PBO during election periods, with staff drawn from other research organisations such as parliamentary libraries or government departments.<sup>53</sup>

**RECOMMENDATION 14:** The Parliament consider amending the *Parliamentary Budget Officer Act (2017)* (Vic) to provide for surge funding in the financial years prior to and including an election, to allow the Parliamentary Budget Office to appropriately plan for an election costing period.

<sup>48</sup> Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, pp. 21–22.

<sup>49</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, *Submission 10b*, received 3 May 2021, p. 9.

<sup>50</sup> Dr Stein Helgeby, Parliamentary Budget Officer, Commonwealth Parliamentary Budget Office, public hearing, Melbourne, 27 April 2021, *Transcript of evidence*, p. 5.

<sup>51</sup> Mr Scott Cameron, *Transcript of evidence*, p. 4.

<sup>52</sup> *Ibid.*, p. 9.

<sup>53</sup> *Ibid.*

### 5.3.2 Resourcing in other Australian jurisdictions

The Commonwealth PBO receives the highest level of funding for Australian jurisdictions with PBOs, with an annual appropriation that has generally increased each year and access to a rolling special appropriation fund that can be carried across years.<sup>54</sup>

At the public hearings on 26 April 2021, it was highlighted that the NSW PBO spent \$1.6 million to undertake its functions over a 9-month period.<sup>55</sup> In evidence to the Committee, the Parliamentary Budget Officer advised that the NSW PBO receives a proportionally similar funding appropriation to the PBO, despite its narrower scope and functions.<sup>56</sup> The NSW PBO also has no requirement to fund ongoing capabilities such as professional development or ongoing systems and data collection.<sup>57</sup> The Committee notes that in 2019 the NSW PBO costed the establishment of a permanent office staffed by eight full-time resources at \$1.6 million a year, with a further \$1.5 million required to deliver costing services in an election year.<sup>58</sup>

The OECD informed the Committee that the PBO seems ‘somewhat under-resourced’<sup>59</sup> compared to its peers in OECD countries with a policy costing mandate, stating that ‘one thing to keep in mind is that whether you are a big country with a large population or a small state, a costing is a costing.’<sup>60</sup>

## 5.4 Staffing and office structure

Upon establishment of the PBO, the Parliamentary Budget Officer was supported by three executive directors across three specialist teams:<sup>61</sup>

- Corporate governance and operations team (2 FTE). Responsible for corporate strategy and governance performance, managing corporate services and compliance obligations.
- Policy analysis team (7 FTE). Responsible for preparing policy costings.
- Economic and fiscal policy team (4 FTE). Responsible for preparing pre and post-election reports, and technical analysis, advice and briefings about financial, fiscal and economic matters.<sup>62</sup>

<sup>54</sup> Mr Anthony Close, *Submission 10b*, p. 9.

<sup>55</sup> Mr Gary Maas MP, public hearing of Mr Close, Parliamentary Budget Officer, Melbourne, 26 April 2021, *Transcript of evidence*, p. 8; Mr David Martine, *Transcript of evidence*, p. 3.

<sup>56</sup> Mr Anthony Close, *Submission 10b*, p. 9.

<sup>57</sup> *Ibid.*

<sup>58</sup> New South Wales Public Accounts Committee, *Report on the Parliamentary Budget Office 2019 Post-Election Report*, Report 2/57, Sydney, 2019, pp. 76–77.

<sup>59</sup> Mr Scott Cameron, *Transcript of evidence*, p. 8.

<sup>60</sup> *Ibid.*, p. 3.

<sup>61</sup> Parliamentary Budget Office, *Operational Plan 2018–19*, 2018, Melbourne, p. 8.

<sup>62</sup> *Ibid.*, pp. 8–9.

As the highest demand was anticipated for policy costing services, the policy analysis team was allocated the most positions. However, due to the complimentary nature of the skills and experience required in the PBO's specialist teams, workload sharing occurs in periods of high demand.<sup>63</sup>

The Parliamentary Budget Officer advised the Committee that the PBO's budget was set prior to their commencement and included funding for 20 full-time resources. However, the exclusion of funding for corporate overheads, such as accounting, payroll and administrative services, in the PBO's budget meant that the office commenced operations in 2018 with 16 full-time resources.<sup>64</sup>

### 5.4.1 Staffing and support costs

The 2021–22 Victorian State Budget indicates that the PBO's appropriation will remain fixed at \$3.3 million.<sup>65</sup> While the Act does not set a specific funding level, the PBO's budget has been maintained at a fixed rate since the establishment of the office.

Although the PBO's budget is not indexed to inflation, the DTF advised the Committee that the PBO's budget is also not subject to the 2.5% general efficiency dividend,<sup>66</sup> effectively setting the office's indexation at zero.<sup>67</sup>

**FINDING 34:** Since its establishment, the annual budget of the Parliamentary Budget Office (PBO) has been maintained at the fixed rate of \$3.3 million. The PBO's budget is not indexed to inflation and is not subject to the 2.5% general efficiency dividend like most Victorian Government departments and agencies.

The Committee was advised that the PBO operates efficiently, with staffing costs accounting for 86% and support costs accounting for 14% of the PBO's budget.<sup>68</sup> The Parliamentary Budget Officer stated that the PBO has been unable to absorb annual staff salary increases included in enterprise bargaining agreements and indexed rental agreements with a fixed budget.<sup>69</sup>

In evidence to the Committee the Parliamentary Budget Officer stated that the annual increase in the PBO's operating costs has resulted in the requirement that the office shed one full-time resource each year to continue functioning within its allocated

<sup>63</sup> Ibid., p. 9.

<sup>64</sup> Mr Anthony Close, *Transcript of evidence*, p. 4.

<sup>65</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2021–22 service delivery*, Melbourne, 2021, p. 367.

<sup>66</sup> An efficiency dividend, also known as the base and efficiency review, is a budget policy tool the Government uses to constrain growth in departmental operating funding. It is intended to drive efficiencies in public service delivery (the efficiency) and realise the associated financial benefits of expense reduction targets (the dividend). These dividend targets create budgetary pressure and are meant to incentivise departments to seek ways to operate more efficiently. Source: Victorian Auditor-General's Office, *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2018–19*, Melbourne, 2019, p. 41.

<sup>67</sup> Mr David Martine, *Transcript of evidence*, p. 3.

<sup>68</sup> Mr Anthony Close, correspondence, 11 March 2020, p. 3.

<sup>69</sup> Ibid.

budget.<sup>70</sup> At the public hearings on 26 April 2021, the Parliamentary Budget Officer advised the Committee that the PBO will average 12.5 full-time resources in 2020–21, impacting the office’s capacity to provide authoritative, timely and relevant services to members of Parliament and the community.<sup>71</sup> The Committee notes that the Parliamentary Budget Officer’s submission to the inquiry states that the PBO would average 14 full-time equivalent staff in 2020–21.<sup>72</sup>

**FINDING 35:** The annual increase in the Parliamentary Budget Office (PBO)’s operating costs has resulted in the reduction of one full-time resource each year for the office to continue functioning within its fixed yearly budget of \$3.3 million. The PBO commenced operations with 16 full-time staff in 2018 which has reduced to 14 full-time staff by 2021.

At the public hearings on 26 April 2021, the Parliamentary Budget Officer described the impact of the PBO’s year-on-year reduction in resourcing:

... 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 ...<sup>73</sup>

These impacts were discussed by the OECD in its 2019 review of the PBO. The OECD observed that the PBO had sufficient resources to set-up and deliver its functions during its first year of operations. However, its legislative framework did not provide for the PBO’s budget to be set in a way to ensure it will have sufficient resources to deliver its mandate in future years or take into account the rise in demand for services.<sup>74</sup>

## 5.4.2 Management strategies

In evidence to the Committee, the Parliamentary Budget Officer advised that in response to not having ‘critical mass’ in all policy areas, in 2019–20 the resourcing strategy of the PBO was adjusted from building permanent capability to using fixed term contracts, to ensure its functions could be performed within budget.<sup>75</sup> The Committee was advised that this action had a negative impact on productivity due to the ramp-up time associated with the specialist nature of the PBO’s operations.

<sup>70</sup> Mr Anthony Close, Inquiry into the Parliamentary Budget Officer hearing presentation, p. 9.

<sup>71</sup> Ibid.

<sup>72</sup> Mr Anthony Close, *Submission 10b*, p. 9

<sup>73</sup> Mr Anthony Close, *Transcript of evidence*, p. 4.

<sup>74</sup> Scherie Nicol and Emeline Denis, *OECD Independent Fiscal Institutions Review: Victorian Parliamentary Budget Office (Australia)*, p. 21.

<sup>75</sup> Mr Anthony Close, Inquiry into the Parliamentary Budget Officer hearing presentation, p. 9.

Further, in 2020–21 two executive contracts were removed, and the PBO was restructured to merge the ‘policy costing’ and ‘advice’ teams.<sup>76</sup> The Committee was advised that this impacted service quality due to the Parliamentary Budget Officer having to take on a corporate management role in addition to their duties as head of the institution.<sup>77</sup>

**FINDING 36:** The strategies implemented by the Parliamentary Budget Officer in response to the increasing operational costs associated with the office are reported to have constricted the Parliamentary Budget Office’s productivity and service quality.

### Prioritisation of work

At the public hearings the Parliamentary Budget Officer provided insight into the PBO’s approach to prioritising work, through consultation and resource allocation. To best meet client needs with its fixed budget the PBO engages Members of Parliament to register their ideas and prioritise their requests. This method allows the PBO to operate at capacity with a pipeline of requests and removes the necessity to utilise its prioritisation framework.<sup>78</sup> The PBO’s operational plans also outline protocols for members of Parliament to access services, based on balancing of supply and demand.<sup>79</sup>

**FINDING 37:** To best meet client needs within its fixed budget, the Parliamentary Budget Office engages with members of Parliament to register their ideas and prioritise their requests. This approach allows the PBO to operate at capacity and removes the need for use of its prioritisation framework.

The PBO’s *2020–21 Operational Plan* highlights the strategic planning approach for the 2022 election period, ensuring service delivery through the following priority activities:

- Understand and align to the needs of parliamentary leaders and their planned approaches for the next general election.
- Increase the use of pre-election reports by parliamentary leaders to cost their election policy platforms.
- Maximise the number of parliamentary leader announcements that are monitored and subject to post-election reports.
- Smooth demand for services during the election costing period to reduce the peak workload for PBO officers that were unavoidable for the 2018 general election.<sup>80</sup>

<sup>76</sup> Ibid.

<sup>77</sup> Mr Anthony Close, *Transcript of evidence*, p. 4.

<sup>78</sup> Mr Anthony Close, Inquiry into the Parliamentary Budget Officer hearing presentation, p. 16.

<sup>79</sup> Victorian Parliamentary Budget Office, *Annual Report 2018–19*, p. 5; Parliamentary Budget Office, *Our Protocols*, 2021, |<[https://pbo.vic.gov.au/Our\\_protocols](https://pbo.vic.gov.au/Our_protocols)> accessed 17 May 2021.

<sup>80</sup> Mr Anthony Close, Parliamentary Budget Officer, Victorian Parliamentary Budget Office, correspondence, 31 March 2020, p. 1.

## Use of information technology and corporate management

Members of Parliament can make electronic requests to the PBO for advice or costings through a secure online portal; in addition to in-person or over the phone requests.<sup>81</sup> The PBO operates in a fully cloud-based Information Technology (IT) environment, to support flexible working and keep operating costs low, whilst reducing the need for an internal IT function.<sup>82</sup> The PBO:

- Has developed a workflow system for response management preparation and client request management, using digital process automation to reduce manual steps.
- Uses a range of economic analysis and data analytics tools to support their services, such as the automated 'economic and fiscal indicators' and 'COVID tracker'.<sup>83</sup>

The PBO also outsources desktop, workflow system and data analytics support.<sup>84</sup>

At the public hearings the Commonwealth Parliamentary Budget Officer noted the PBO's advanced use of IT capability:

In particular the way that the PBO interacts with parliamentarians on an individual basis I think is much more digital than we do, and I think the way in which things are made accessible on the PBO website is probably better than what we have got running at the minute. So I regard the PBO as a partner institution, as a peer and as one from which we seek to learn.<sup>85</sup>

In correspondence to the Committee, the Parliamentary Budget Officer advised that the PBO's use of IT resources effectively facilitated the transition to remote working during COVID-19 lockdown periods:

Our investment in modern 'high availability and redundancy' collaborative systems means that my team and I remain available to members of parliament over the phone, over the web, via email and videoconferencing. We are fully productive, to the same level as before the pandemic...<sup>86</sup>

**FINDING 38:** The Parliamentary Budget Office undertakes prioritisation practices and uses information technology and corporate management systems to increase its efficiency.

### Adopted by the Public Accounts and Estimates Committee Parliament of Victoria, East Melbourne 2 August 2021

<sup>81</sup> Parliamentary Budget Office, *Our Protocols*.

<sup>82</sup> Mr Anthony Close, Inquiry into the Parliamentary Budget Officer hearing presentation, p. 19.

<sup>83</sup> Ibid.

<sup>84</sup> Ibid.

<sup>85</sup> Dr Stein Helgeby, Parliamentary Budget Officer, Commonwealth Parliamentary Budget Office, public hearing, Melbourne, 27 April 2021, *Transcript of evidence*, p. 2.

<sup>86</sup> Mr Anthony Close, correspondence, 31 March 2020, p. 1.





# Appendix A

## About the Inquiry

### A.1 Submissions

1	Yves Giroux, Canadian Parliamentary Budget Officer
2	Andrew Greaves, Victorian Auditor-General
3	Stuart Grimley MP
4	Samantha Ratnam MLC, Leader Victorian Greens
5	David Martine, Secretary of the Department of Treasury and Finance
6	Annette Connolly, Irish Parliamentary Budget Office
7	Dr Helmut Berger, Austrian Parliamentary Budget Office
8	Hon Michael O'Brien MP, Leader and Hon Louise Staley MP, Liberal Party Victoria
9	Danielle Wood, Kate Griffiths, and Tom Crowley, Grattan Institute
10	Anthony Close, Victorian Parliamentary Budget Office
11	Rod Barton MLC
12	Scott Cameron, Organisation for Economic Cooperation and Development

### A.2 Public Hearings

#### Monday 26 April 2021

Name	Position	Organisation
Anthony Close	Parliamentary Budget Officer	Parliamentary Budget Office
Xavier Rimmer	Director Policy Analysis and Advice	Parliamentary Budget Office
Andrew Greaves	Auditor-General of Victoria	Victorian Auditor-General's Office
David Martine	Secretary	Department of Treasury and Finance
Jamie Driscoll	Deputy Secretary Budget and Finance	Department of Treasury and Finance
Dr Samantha Ratnam MLC	Leader	Victorian Greens
Clare Ozich	Chief of Staff	Victorian Greens
Louise Staley MP	Shadow Treasurer and Minister for Economic Development	Victorian Liberal Nationals
Dr Usman Chohan	Director for Economic Affairs and National Development	Centre for Aerospace and Security Studies, Pakistan

Name	Position	Organisation
Scott Cameron	Policy Analyst, Secretariat for the OECD Working Party of Senior Budget Officials, Budgeting and Public Expenditures Division, Public Governance and Territorial Development Directorate	Organisation for Economic Cooperation and Development

## Tuesday 27 April 2021

Name	Position	Organisation
Dr Stein Helgeby	Commonwealth Parliamentary Budget Officer	Commonwealth Parliamentary Budget Office

## Appendix B

# Timeliness of information provided to the Parliamentary Budget Office by public sector agencies (2018-19 and 2019-20)

### 2018-19

Department	Requests	Timeliness		
		On-time	Late	No Response
Transport Safety Victoria	1			1
Safer Care Victoria	1			1
Officer of the Coordinator-General	1			1
Victorian Fisheries Authority	2			2
Level Crossing Removal Authority	4			4
Transport for Victoria	6			6
WorkSafe	1		1	
Victorian Institute of Forensic Medicine	1		1	
Victorian State Emergency Service	1		1	
Parks Victoria	1		1	
Melbourne Water Corporation	1		1	
Australian Grand Prix Corporation	1		1	
Department of Jobs, Precincts and Regions	3		3	
Corrections Victoria	3		3	
Rail Projects Victoria	4		4	
Department of Transport	5		4	1
Victorian Planning Authority	1	1		
Victorian Electoral Commission	1	1		
Victorian Commission for Gambling and Liquor Regulation	1	1		
Transport Accident Commission	1	1		
Shrine of Remembrance Trust	1	1		
Departments of the Parliament	1	1		
Major Road Projects Authority	3	1	1	1

**Appendix B** Timeliness of information provided to the Parliamentary Budget Office by public sector agencies (2018–19 and 2019–20)

B

Department	Requests	Timeliness		
		On-time	Late	No Response
Infrastructure Victoria	1	1		
Game Management Authority	1	1		
Film Victoria	1	1		
Essential Services Commission	1	1		
Environment Protection Authority	1	1		
Department of Premier and Cabinet	3	1	2	
Commercial Passenger Vehicles Victoria	1	1		
V/Line Corporation	2	2		
Department of Justice and Community Safety	4	2	2	
Coroners Court of Victoria	2	2		
VicRoads	10	3	7	
Treasury Corporation of Victoria	3	3		
Sentencing Advisory Council	5	3	2	
Department of Economic Development, Jobs, Transport and Resources	56	3	23	30
Country Fire Authority	4	3	1	
Victoria Police	19	4	15	
State Revenue Office	9	5	4	
Department of Environment, Land, Water and Planning	20	6	14	
Court Services Victoria	14	8	6	
Public Transport Victoria	20	11	5	4
Department of Justice and Regulation	21	11	10	
Department of Education	19	13	6	
Department of Health and Human Services	25	15	10	
Department of Treasury and Finance	40	34	6	
<b>Total</b>	<b>327</b>	<b>142</b>	<b>134</b>	<b>51</b>

Source: Parliamentary Budget Office, *Annual Report 2018–19*, Parliamentary Budget Office, Melbourne, 2019.

2019–20

Department	Requests	Timeliness		
		On-time	Late	No Response
VicForests	1			1
Public Transport Victoria	1			1
Cladding Safety Victoria	1		1	
Department of Premier and Cabinet	1		1	
Department of Justice and Regulation	1		1	
Transport Accident Commission	1		1	
Victorian Police	2		1	1
Department of Justice and Community Safety	5		4	1
Ambulance Victoria	1	1		
Metropolitan Waste and Resource Recovery Group	1	1		
Suburban Rail Loop Authority	1	1		
Sustainability Victoria	1	1		
Victoria Legal Aid	1	1		
V/Line Corporation	2	1	1	
Victorian Institute of Forensic Medicine	2	1	1	
Department of Jobs, Precincts and Regions	9	1	6	2
Department of Transport	25	1	22	2
Coroners Court of Victoria	2	2		
State Revenue Office	2	2		
Department of Education	6	2	4	
Department of Health and Human Services	7	2	5	
Department of Treasury and Finance	16	2	14	
Game Management Authority	3	3		
Department of Environment, Land, Water and Planning	8	3	5	
<b>Total</b>	<b>100</b>	<b>25</b>	<b>67</b>	<b>8</b>

Source: Parliamentary Budget Office, *Annual Report 2019–20*, Parliamentary Budget Office, Melbourne, 2020.





# Appendix C

## International examples of legislated mechanisms for recourse— IFI access to information

Organisation	Mechanism
Brazilian Independent Fiscal Institution	The IFI can submit the request for information to the Steering Committee of the Senate, which then submits the request on behalf of the IFI according to Resolution N°42 § 10. “The Independent Fiscal Institution may forward, through the Bureau of the Federal Senate, written requests for information to Ministers of State and to any holders of bodies directly subordinate to the Presidency of the Republic, implying in a crime of responsibility the refusal, non-compliance within thirty (30) days or the provision of false information.”
Canadian PBO	Section 79.42 of the Parliament of Canada Act states that if the Parliamentary Budget Officer is of the opinion that he or she has not been provided with free or timely access to information, he or she may so notify the Speaker of the Senate and the Speaker of the House of Commons or any appropriate committee of the Senate, of the House of Commons or of both Houses of Parliament.
Financial Accountability Office of Ontario, Canada	Section 12 of the Financial Accountability Officer Act, 2013 states that “The Financial Accountability Officer may notify the Speaker of the Assembly and the chair of the Standing Committee on Finance and Economic Affairs if the Financial Accountability Officer is of the opinion that a ministry or a public entity has failed to comply with a request under subsection.”
Portuguese Public Finance Council	The Statutes of the Portuguese Public Finance Council state that, should any public entity not fulfil the duty of providing the information in good time, this shall be stated on the Council’s webpage, and in serious cases the Council shall notify the President of the Republic, the Assembly of the Republic, the Tribunal de Contas and the Banco de Portugal.
Spanish Independent Authority for Fiscal Responsibility	Organic Law 6/2013 states that in the event of non-compliance “It is the duty of the President of the Independent Authority for Fiscal Responsibility to appraise if the case at hand is a gross or repeated non-fulfilment and, if so, he/she shall raise it to the attention of the National Government and the Spanish Parliament.”

Source: Information compiled by the Committee Secretariat.





## Appendix D

# **Australian Government protocols governing the engagement between Commonwealth Bodies and the Parliamentary Budget Officer**

D



# **AUSTRALIAN GOVERNMENT PROTOCOLS GOVERNING THE ENGAGEMENT BETWEEN COMMONWEALTH BODIES AND THE PARLIAMENTARY BUDGET OFFICER**

## **Preamble**

The Parliament of Australia has established the Parliamentary Budget Office (PBO), headed by the Parliamentary Budget Officer (the Officer), to provide Senators and Members of the House of Representatives with independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of policy proposals.

The PBO also prepare submissions to inquiries of Parliamentary Committees on request, conduct research on and analysis of the budget and fiscal policy settings and prepare a post-election report to include costings of the election commitments of Parliamentary parties after a general election.

The PBO is established under the *Parliamentary Service Act 1999* (PSA Act), as amended by the *Parliamentary Service Amendment (Parliamentary Budget Officer) Act 2011*.

In order to perform its statutory functions, the PBO will require access to information and documents owned, held, managed or administered by Commonwealth bodies.

Commonwealth bodies comprise agencies under the *Financial Management and Accountability Act 1997* and bodies under the *Commonwealth Authorities and Companies Act 1997*.

**This is a statement of the Australian Government's intent to support the Officer in the performance of his or her functions.**

These Protocols are Government policy and promote the Government's basis for Heads of Commonwealth bodies and their staff to manage their interactions with the PBO. They also 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 aim is for these Protocols to be observed by all Commonwealth bodies and to be reflected in any arrangement made for the provision of information to the Officer.

*Signed for and on behalf of the Australian Government*



**The Honourable Tony Abbott MP**

Prime Minister of the Commonwealth of Australia



**The Honourable Joe Hockey MP**

Treasurer



**Senator the Honourable Mathias Cormann**

Minister for Finance

## **ROLE OF THE PROTOCOLS**

These Protocols have been developed to:

- (a) ensure that relevant information is provided to the Officer;
- (b) outline the responsibilities of the Heads of Commonwealth bodies, and their staff, in engaging with the Officer;
- (c) establish procedures to ensure the consistency and confidentiality of information provided to and by the PBO; and
- (d) ensure that the integrity of the Government's official budget estimates are maintained.

## **PROVISION OF INFORMATION TO THE PBO**

Commonwealth bodies should aim to provide the Officer with information or documents held by the body that may be relevant to a request received from the PBO or to any discussions held in relation to a request for information.

In determining whether information will be released to the Officer, the Heads of Commonwealth bodies should have regard to:

- the Government's intent to support the Officer in the performance of his/her functions as defined in the PBO's enabling legislation;
- the accessibility of the information under the *Freedom of Information Act 1982*; and
- the application of other relevant legislative provisions relating to the handling of government information and data including, for example, the *Privacy Act 1988*.

Commonwealth bodies are to recognise and respect the pre-existing intellectual property of any information they hold and/or utilise that has been produced by third parties.

## **RESPONSIBILITIES OF THE HEADS OF COMMONWEALTH BODIES**

Requests for information from the Officer are to be actioned by the Head of a Commonwealth body, or a person authorised by the Head.

In responding to requests for information from the Officer, or in otherwise engaging with the PBO, the Heads of Commonwealth bodies are to:

- ensure that all reasonable efforts are made to respond to requests from the Officer in a timely manner and, where there is no legislative impediment, with the information requested;
- ensure, to the greatest extent possible, that information provided to the Officer reflects the economic forecasts and parameters and fiscal estimates contained in the most recent relevant reports released under Parts 5, 6, and 7 of Schedule 1 to the Charter of Budget Honesty Act 1998;
- ensure that they and their staff are accessible should the Officer request discussions and/or informal dialogue in relation to a request for information; and
- take appropriate measures to maintain the confidentiality of a request and the related response, if requested by the Officer.

## **PROCEDURES TO ENSURE CONFIDENTIALITY**

The PSA Act allows for the Officer to provide confidential advice to parliamentarians on non-costing matters at any time, as well as confidential policy costings during non-caretaker periods, upon request.

To support this arrangement and ensure the confidentiality of requests for information:

- The Heads of Commonwealth bodies and their staff must not disclose to the Government the details of a request for information and the subsequent response if the request is specifically requested to be treated confidentially;
- Government Ministers and their staff will not ask the Heads of Commonwealth bodies or their staff to provide them with any information which would disclose the nature of a confidential request from the Officer; and
- The Heads of Commonwealth bodies and their staff must not disclose the details of a request for information and the subsequent response to a third party, other than a Commonwealth body, unless required to do so by law.

However, it is appropriate for Commonwealth bodies to provide information to their Minister/s on the resourcing impacts of their interactions with the PBO in aggregate terms, so long as confidential information is not disclosed by the provision of such advice.

## **INTEGRITY OF THE GOVERNMENT'S OFFICIAL BUDGET ESTIMATES**

Commonwealth bodies are to inform the Department of the Treasury (Treasury) and the Department of Finance and Deregulation (Finance) in writing (email) of the details of a request from the Officer once it has been received.

For some requests, a Commonwealth body or Treasury or Finance may play a coordinating role in preparing the response, as agreed between the bodies. The need for coordination may arise in cases where information relevant to a request is based on information or analysis contributed by several Commonwealth bodies. In such cases, the other parties are entitled to review the response before it is released to the Officer.

A Commonwealth body must consult Treasury and/or Finance in advance of providing information to the PBO if the Head of a Commonwealth body, or the Secretary of either the Treasury or Finance, could reasonably deem that information to be significantly inconsistent with the official budget estimates as contained in the Central Budget Management System.

Finally, Commonwealth bodies are to provide the Treasury and Finance with an update on the status of a request for information, if requested, and a copy of all formal responses to the PBO.





