

# Report of PBO operations for the 2018 Victorian general election



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Ordered to be published

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VICTORIAN GOVERNMENT PRINTER

March 2019

PP No 21 Session 2018–19

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## Foreword

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The Victorian Parliamentary Budget Office (PBO) was established under the *Parliamentary Budget Officer Act 2017* (Vic) (the Act). On 23 April 2018, I was appointed as the first independent Parliamentary Budget Officer, with responsibilities to provide policy costing and advisory services for members of parliament, and to inform policy development and debate in the parliament and the community.

Under the Act, I am required to prepare a report for parliament on PBO operations during the election costing period. In 2018, this was from the second reading of the budget speech on 1 May, to 22 November, the Thursday before the general election on 24 November.

This period coincided with the PBO's establishment, a significant challenge.

Notwithstanding, I am pleased to report that the PBO successfully delivered its pre-election requirements, preparing 215 independent election policy costings and three pre-election reports that assessed the impact to the state budget of political parties' election policies. These supported parliamentary leaders to better understand the financial impact and achievability of the proposals they put to the people of Victoria in the lead up to the election.

The PBO also successfully delivered its post-election outputs, preparing an additional 829 independent policy costings and three post-election reports that independently assessed the publicly announced election policies of the major political parties. These support public awareness and serve as a useful independent reference of the commitments made.

To the political parties that helped ensure we accurately reflected your election policies, thank you. It was a practical demonstration of your desire for greater transparency and accountability.

In this period, the PBO also innovated through the release of an election commitment tracker, providing the public with daily information of the commitments made by three political parties. We achieved major efficiencies through our integrated technology systems and strived to ensure our products were understandable, interactive, and met the needs of different sectors of the community.

To the PBO team, thank you. You embraced the challenge and delivered.

As one of only four permanent offices in the world that have a mandate to prepare election policy costings, we now focus on further shaping and defining the PBO value proposition to our clients—meeting the needs of parliament, adding value to the parliamentary process, and engaging with the wider Victorian community to inform their policy choices.



Anthony Close

Parliamentary Budget Officer

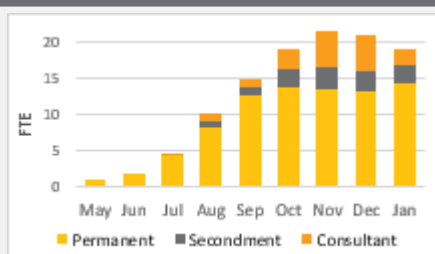
21 March 2019

## At a glance

The Parliamentary Budget Office prepared 1 044 independent election policy costing responses for the 2018 general election costing period.

Election policy requests costed		Publicly announced election policies costed	
Costing responses prepared	<b>94</b> per cent completion rate	Costing responses prepared	<b>100</b> per cent completion rate
<b>215</b>	<b>117</b> prepared by request	<b>829</b>	<b>692</b> prepared for post-election reports
	<b>98</b> re-prepared due to budget updates		<b>137</b> re-prepared due to budget updates
Information requests		Pre and post-election reporting	
Issued to public sector	<b>44</b> per cent in time response	Reports prepared	<b>3</b> political party pre-election reports
<b>287</b>	<b>38</b> per cent late response	<b>6</b>	<b>2</b> political party post-election reports
	<b>18</b> per cent no response		<b>1</b> comparative post-election report
<b>3</b>	Memorandums of Understanding agreements in place out of 11 offered	Launched website and published PBO protocols. Released 2018 election commitment tracker on website. Published 2 budget update snapshots on website.	

### Operations



**21.6** full time equivalent employees (FTE) peak in November 2018

**12.6** average FTE per month between May 2018 and January 2019

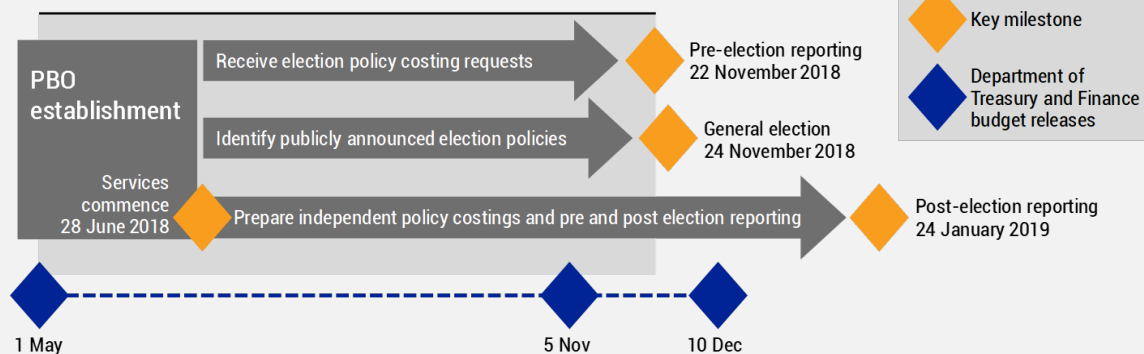
**16** FTEs from February 2019

Spend between May 2018 and January 2019 (\$ million)

**2.7**

### Timeline

1 May 2018 - - - - - Election costing period - - - - - 22 November 2018



## Summary of recommendations

The Parliamentary Budget Officer's (the Officer) recommendations within this report are:

Recommendations	Page
1. To strengthen confidentiality for members of parliament, the <i>Parliamentary Budget Officer Act 2017</i> (Vic) is 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.	13
2. To improve efficiency and responsiveness, the <i>Parliamentary Budget Officer Act 2017</i> (Vic) is amended to ensure the Officer's access to requested information from the public sector is timely and meets the needs of the PBO.	16
3. To remove impacts to the PBO and the wider public sector, the Public Accounts and Estimates Committee investigates options to remove inefficiencies associated with multiple budget updates during an election year, prior to the next state general election.	17
4. To avoid multiple versions of election policy costing information being in the public domain, the <i>Parliamentary Budget Officer Act 2017</i> (Vic) is amended to restrict the public sector from releasing election policy costings.	17
5. To improve oversight, the <i>Parliamentary Budget Officer Act 2017</i> (Vic) is amended to require the Officer to report on all Parliamentary Budget Office operations relating to election policy costing activities—from the election costing period through to post-election reporting.	18
6. To increase independence, the <i>Parliamentary Budget Officer Act 2017</i> (Vic) is amended to determine Parliamentary Budget Office funding in consultation with the Public Accounts and Estimates Committee, is indexed annually to maintain resource capacity for the ongoing delivery of services to members of parliament, with additional funding provided in an election year.	19
7. To strengthen foundations for the future, the Public Accounts and Estimates Committee notes the OECD Independent Fiscal Institutions Review of the Victorian Parliamentary Budget Office (March 2019) and responds to recommendations.	19

## Introduction

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Following assent of the *Parliamentary Budget Officer Act 2017* (Vic) (the Act) in June 2017, the state's first Parliamentary Budget Officer (the Officer), Mr Anthony Close, was appointed on 23 April 2018 as an independent officer of parliament. The Officer's responsibilities are to:

- provide independent policy costing and advisory services for members of parliament
- inform policy development and public debate in parliament and the Victorian community.

The Act affords the Officer complete discretion in performing and exercising duties, functions and powers of the office.

More information about the PBO is available at [pbo.vic.gov.au](http://pbo.vic.gov.au).

### Legislative basis

The Act requires the Officer to prepare and publicly release a report of PBO operations for each election costing period. The report is to be submitted to the Public Accounts and Estimates Committee before the latter of three months after the date of the general election or the first day on which a member of the parliamentary committee is elected chairperson.

This document meets the requirements of the Act to produce a report of PBO operations. It provides transparency to the parliament and the community about the activities of the PBO during the election costing period. It includes information about services provided, significant issues and problems encountered, recommendations for future operations, and other information that the Officer considers appropriate. Section 27 of the Act contains detailed reporting requirements and Appendix A — Legislative reporting requirements acquits the completeness of this report to these requirements. Throughout this report, references to specific sections of the Act are made where relevant.

### Election costing period

For the 2018 Victorian general election, the election costing period—as defined in section 3(1) of the Act—was from 1 May 2018 to 22 November 2018. During the election costing period, the Officer was required to give priority to election policy costing requests submitted by parliamentary leaders.

## Operations relating to the election costing period

The first election costing period under the Act coincided with the establishment of the PBO. This section reports on both establishment and operations relating to the election costing period.

### PBO establishment

The Officer commenced one week prior to the commencement of the election costing period. The key risk for the PBO was being established in time to provide election policy costing services for the 2018 general election.

Activities to establish the PBO largely needed to occur before the Officer could commence providing services aligned to the Act.

In response, the Officer implemented the following strategies to accelerate establishment:

- established a proactive outcome and client focused organisational culture early
- undertook group recruitment of permanent and contract staff based on strong organisational design and values
- raised awareness with the public sector early to accelerate secondee recruitment
- prioritised the establishment of those organisational capabilities required to deliver services for the election costing period
- utilised secure, accessible and flexible technologies to support rapid, iterative development of operational systems to deliver services
- leveraged corporate support from the Department of Parliamentary Services
- utilised existing spare office space in the parliamentary precinct and engaged early for fit out due to lead times involved.

These strategies were successful in establishing the PBO rapidly, with the Officer accepting the first election policy costing request on 28 June 2018; less than ten weeks from appointment.

Other key outputs delivered in the establishment phase are described below.

### PBO protocols

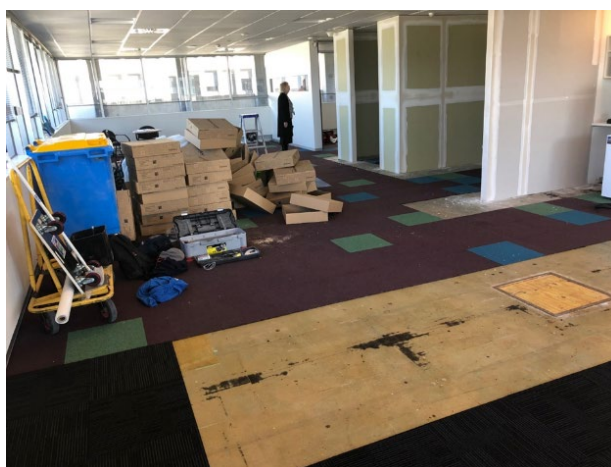
The Officer prepared protocols for requests for policy costing and advisory services (s 24 of the Act) and released them on the PBO website in July 2018. Additionally, the Officer wrote to parliamentary leaders and advised them of the protocols for requesting services. These protocols cover:

- how to access PBO services—including the submitting and withdrawing of requests
- how the Officer prioritises requests for policy costing and advisory services
- progress meetings with the PBO—typically when multiple requests have been made
- what happens if the PBO is unable to fulfil a request
- confidentiality and public release of requests, pre-election reports and post-election reports.

PBO policy costing protocols are located at [pbo.vic.gov.au/policy\\_costing\\_protocols](http://pbo.vic.gov.au/policy_costing_protocols).

PBO advisory service protocols are located at [pbo.vic.gov.au/advisory\\_protocols](http://pbo.vic.gov.au/advisory_protocols).

**Figure 1 - Construction commences**



*Source: Parliamentary Budget Office.*



## PBO website

The Officer must be able to publicly release independent policy costings, reports and PBO protocols at the request of parliamentary leaders and members of parliament using a website maintained by the Officer or in any other way considered appropriate (s 4 of the Act).

The Officer designed and implemented [pbo.vic.gov.au](http://pbo.vic.gov.au) on 4 July 2018. The website contains information about:

- the PBO—including the 2018–19 Operational Plan (s 22 of the Act)
- the 2018 general election—including election policy costings and pre-election reports approved for public release, and post-election reports and supporting election policy costings
- protocols for members of parliament to request policy costing and advisory services, how requests are prioritised, how information is publicly released and how confidentiality is maintained for requests
- Memorandums of Understanding with public sector body heads for the exchange of information (s 25 of the Act)

Although a member of parliament can request PBO services by phone, email or meeting, the website was implemented with on-line forms to request services at any time.

Those that made multiple requests for PBO services used the on-line submission process throughout the election costing period.

Figure 2 - On-line request for PBO services shows the form for a policy costing request.

Security around the solution, locks out those unauthorised to submit a request and ensures that each member sees only their own requests.

**Figure 2 - On-line request for PBO services**

**NEW POLICY COSTING SUBMISSION**

To submit a policy costing, please complete the following fields and use the 'save and submit' button at the bottom of this form. If you require assistance please contact the Parliamentary Budget Office (PBO) via email at [enquiries@pbo.vic.gov.au](mailto:enquiries@pbo.vic.gov.au) or by phone on (03) 8682 2699 during business hours.

**Parliamentary Budget Office**

**POLICY COSTING REQUEST**

**REQUESTER DETAILS**

Member of parliament name \*

Member of parliament email \*

Political party \*

Critical response date (optional)

Critical date policy costing is required by

Contact officer name \*

Anthony Close

Contact officer email \*

[anthony.close@pbo.vic.gov.au](mailto:anthony.close@pbo.vic.gov.au)

Contact officer position \*

Parliamentary Budget Officer

Contact officer phone \*

0386822638

**POLICY DETAILS**

Submission date \*

Thu Jan 31 2019

Policy name \*

Provide a unique name for referring this policy

Description of policy \*

Provide a summary of the policy including a description of what the policy will do, who it will affect, timing and key milestones, eligibility requirements and any specific administrative arrangements.

Source: Parliamentary Budget Office.

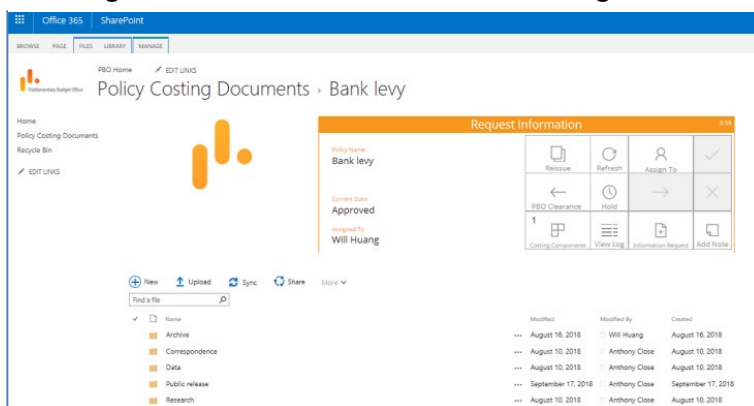
External cybersecurity specialists were engaged to conduct penetration testing of the PBO website and confirmed that the security solution is effective and client data is secure.

## PBO workflow and document management system

The Officer designed and implemented a workflow and document management system on 28 June 2018 that:

- aligns to the business procedures developed for preparing policy costings
- fully integrates with the PBO website so that new client requests are automatically added to the list of work to be completed
- efficiently manages high volumes of client requests between team members without the use of internal emails to pass work from one team member to another, and by minimising data duplication and manual re-keying of information
- enables collaborative work practices, with team members able to work in the same file at the same time
- provides a single source of truth for real-time operational reporting without the use of more cumbersome spreadsheets or more expensive enterprise solutions
- maintains consistency in ways of working, with workflow stages, document templates and model templates instantly reflective of changes made.

**Figure 3 - Workflow and document management**



Source: Parliamentary Budget Office.

## PBO operations

### Election policy costings

For the election costing period, the Officer prepares independent costing responses for two types of election policies; those requested by parliamentary leaders, and those publicly announced by parliamentary leaders before the date of the general election, whether or not those policies were the subject of an election policy costing request (s 41(1) of the Act). Additionally, a parliamentary leader can request that the Officer prepare a pre-election report of nominated election policies and their interactions (s 39 of the Act).

### Election policy costing requests

During the first election costing period, the Officer received 125 election policy costing requests from parliamentary leaders—as defined in section 3(1) of the Act. The Officer provided independent costing responses to 117 of these requests, representing a completion rate of 94 per cent. Of note:

- one request was withdrawn by a parliamentary leader (s 36(3) of the Act)
- seven requests were not completed within the election costing period, with the Officer issuing statements of insufficiency (s 37(5) of the Act) due to time
- the Officer re-prepared 98 election policy costings after the release of the pre-election budget update (s 37(2)(c) of the Act)
- the Officer published 61 independent costing responses to the PBO website at the request of parliamentary leaders (s 38 of the Act).

### Publicly announced election policy costings

The PBO independently costed 692 publicly announced election policies of the:

- Australian Labor Party – Victorian Branch (ALP)
- Liberal Party of Australia (Victorian Division) and National Party of Australia – Victoria (LNP).

The PBO prepared costings of publicly announced election policies in parallel with responses to parliamentary leaders' election policy costing requests during the election costing period and the period up to the release of post-election reports.

Unlike election policy costing requests, where requestors provided sufficient information, a key challenge of costing publicly announced election policies in the first election costing period was limited access to major political parties. Election policies were generally publicly announced in media releases and via political party websites with insufficient policy specification for costing purposes.

In response, the Officer developed a set of standard assumptions that were used where insufficient information existed and socialised these assumptions with parliamentary leaders as part of the post-election reporting process.

Additionally, the Officer afforded ALP and LNP parliamentary leaders the opportunity to review confidential preliminary drafts of the Officer's independent costings of their publicly announced election policies prior to public release. This was done to ensure that the PBO's documented election policy descriptions and assumptions were accurate. Both political parties worked collaboratively with the Officer to review their confidential preliminary drafts and provide further information to the Officer relating to their election policies and the efficacy of PBO assumptions.

These actions were critical in achieving accurate and credible election policy costings in response to issues of insufficient information. In each instance, additional information provided was evaluated against the information that was made publicly available—as PBO policy costings are required to be based on what was publicly announced.

The Officer's independent policy costings are publicly available at [pbo.vic.gov.au/all post-election reports](https://pbo.vic.gov.au/all-post-election-reports).

### Re-prepared election costings

Election policy costings are required to be prepared using the financial report or budget update most recently released by the Department of Treasury and Finance (DTF). During the election costing period and the subsequent two months, two budget updates were released; the pre-election budget update on 5 November 2018 and the half year budget update on 10 December 2018.

The PBO re-prepared 235 election policies as a result of budget updates—98 due to the pre-election budget update and were re-issued to clients, 137 due to the half year budget update for inclusion in post-election reports.

### Pre-election reports

Three parliamentary leaders requested pre-election reports. The Officer prepared and issued these to clients within legislative deadlines. Of these, the parliamentary leader of Fiona Patten's Reason Party Victoria requested public release. The Officer published this pre-election report to the PBO website (located at [pbo.vic.gov.au/pre-election reports](https://pbo.vic.gov.au/pre-election-reports)). The remaining pre-election reports remain confidential to each parliamentary leader that submitted the request.

### Post-election reports

Post-election reports are required to be prepared and published within two months after the date of the general election (s 41(5) of the Act).

The Officer prepared a suite of three post-election reports with interactive insights enabling focus on each function of government (e.g. health or education):

- A summary post-election report comparing the election policies, key fiscal indicators and financial impact of ALP and LNP election policies.  
(located at [pbo.vic.gov.au/independent comparative budget impact assessment](https://pbo.vic.gov.au/independent-comparative-budget-impact-assessment))
- An individual post-election report of ALP publicly announced election policies and their financial impact to the state budget if implemented.  
(located at [pbo.vic.gov.au/post-election report - ALP](https://pbo.vic.gov.au/post-election-report-ALP))
- An individual post-election report of LNP publicly announced election policies and their financial impact to the state budget if implemented.  
(located at [pbo.vic.gov.au/post-election report - LNP](https://pbo.vic.gov.au/post-election-report-LNP))

The Officer publicly released this suite of reports on the PBO website on 24 January 2019. The individual election policy costings and election policy sources were also publicly released.

The Officer's suite of post-election reports are publicly available at [pbo.vic.gov.au/all post-election reports](https://pbo.vic.gov.au/all-post-election-reports).

## Advisory services

### Budget updates

To ensure that all independent costings were prepared against the latest budget update, the PBO analysed changes as a result of the pre-election budget update and half year budget update prepared by the Department of Treasury and Finance. Given that this related to public information, the Officer determined to publicly release its analysis of each budget update. This decision was in support of the PBO's objective to inform public debate (s 5(c) of the Act).

The PBO's independent analysis of the latest budget update is located at [pbo.vic.gov.au/2018-19 budget update](https://pbo.vic.gov.au/2018-19-budget-update).

### Requests for advice

The PBO received three requests for independent advice (s 47 of the Act) during the election costing period. Two requests were prepared due to their proximity to election policy costings. One request was declined due to prioritisation of election policy costing functions over other requests in the election costing period (s 43 of the Act) based on resource availability.

### Election commitments and election policies

To enable the Officer to prepare independent costings of publicly announced election policies for post-election reporting, the PBO monitored the election announcements made by three political parties in the lead-up to the 2018 general election. Over the election costing period, the PBO identified 896 election commitments across ALP, LNP and the Australian Greens - Victoria. The Officer periodically wrote to the parliamentary leaders of these parties throughout the election costing period to advise them of the list of election commitments attributed to their political party and to seek feedback.

These publicly announced commitments were used by the Officer to independently form judgement that 692 election policies were publicly announced by the ALP and LNP during the election costing period. In December 2018, the Officer afforded parliamentary leaders the opportunity to review and provide feedback on election policies attributed to their political party through the preliminary document review (s 55 of the Act). The independent judgement made by the Officer aligned to the ALP's financial statement and largely with the LNP's policy costing statement (only three election policies were not represented in this statement) released in the last week prior to the general election.

Given that this was already public information, the Officer also determined to publicly release the PBO's consolidated list of election commitments once established in the lead up to the election. These were updated daily. This decision was in support of the PBO's objective to inform public debate (s 5(c) of the Act). The 2018 election commitment tracker can be located at [pbo.vic.gov.au/2018 election commitment tracker](https://pbo.vic.gov.au/2018-election-commitment-tracker).

## Operational logistics

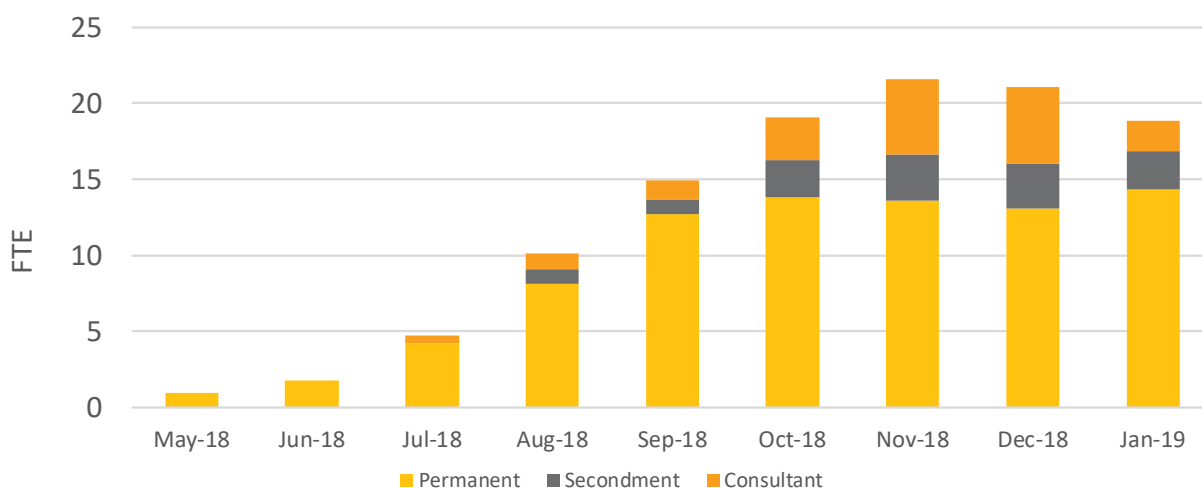
### Staffing

The PBO commenced with the Officer's appointment on 23 April 2018 and peaked at 21.6 full time equivalent employees (FTE) in November 2018—including 3 secondees and 5 consultants.

The office averaged 12.6 FTE per month between May 2018 and January 2019.

Figure 4 – PBO resource profile shows the monthly FTE engaged during the election costing period and the production of post-election reports released on 24 January 2019.

**Figure 4 – PBO resource profile**



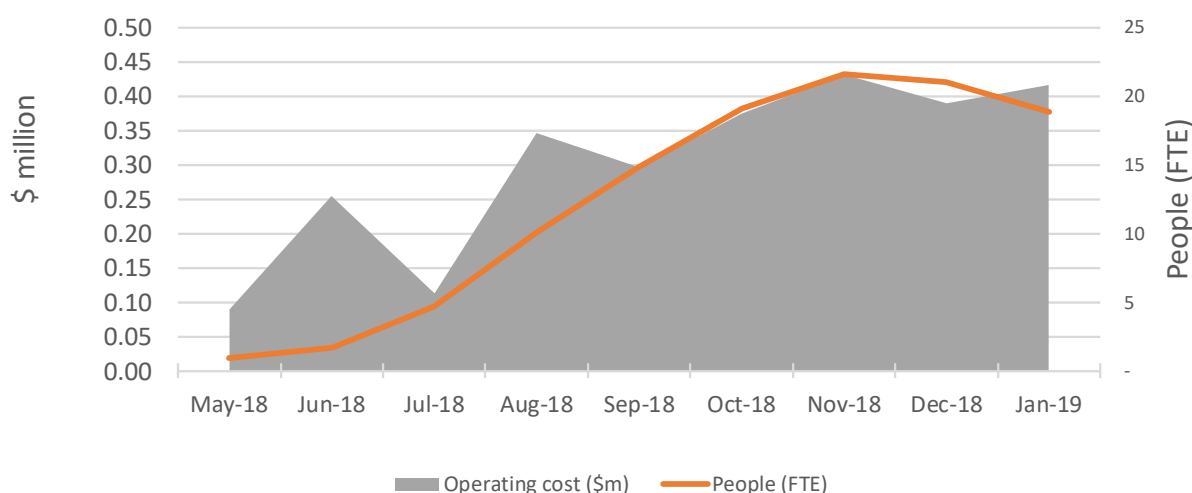
Source: Parliamentary Budget Office.

The PBO's resource profile is characterised predominately by permanent staff, except in October, November and December 2018, where secondees and consultants represented between 26 and 33 per cent of the PBO workforce.

### Operating costs

Total PBO operating costs between May 2018 and January 2019 were \$2.7 million. Of this, \$1.9 million was used to the end of November 2018 and the balance of \$0.8 million was used to the end of January 2019.

**Figure 5 – Monthly PBO operating costs**



Source: Parliamentary Budget Office.

These costs include both establishment costs and operating costs for preparing election policy costing responses.

## Significant matters

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As the use of PBO services increases over time, issues may emerge that impact future operations. The Officer will ensure that members of the Public Accounts and Estimates Committee are informed in a timely manner of any significant issues impacting PBO operations or its value proposition.

### Confidentiality of member of parliament requests

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The Act is structured with the clear intent to maintain confidentiality of members of parliament requests, with strong control by these clients in the public release of the Officer's responses to their requests:

- Section 19(2) provides confidentiality requirements on PBO officers relating to information or documents given to the Officer in confidence by a public sector body head.
- Section 19(4) also 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.
- Sections 38, 40, 46 and 48 allows members of parliament to request public release of the Officer's responses to their requests that they have received confidentially.

Parliamentary stakeholders re-affirmed the importance of confidentiality of their requests throughout the election costing period and maintaining confidentiality when making information requests to the public sector.

Two issues relating to the Officer's ability to maintain the confidentiality of members of parliament requests were identified throughout the election costing period.

### Confidentiality of the Officer's information requests to public sector body heads

The Officer limits the risk associated with confidentiality of member of parliament requests when engaging with the public sector in the following ways:

- Information requests to the public sector are disconnected from the member of parliament request; each member of parliament request is analysed by a PBO officer and a separate information request is developed to obtain costing inputs.
- PBO officers may use other sources of information than the Victorian public sector in preparing a response to a member of parliament request.
- For information requests to the public sector, the Officer's protocols:
  - assign a security classification of 'confidential'
  - require the use of the 'need to know' principle within the public sector when responding to the Officer's requests for information
  - require that public sector body heads do not advise their Minister or other public sector bodies.
- These confidentiality protocols are clearly stated to public sector body heads in each information request provided.
- Every information request is subject to quality review by a peer and a Director.
- The Officer approves and sends each information request after being satisfied that there is no risk of a member of parliament request being identified through the information and documents requested of the public sector.

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.

This breach of the Officer's protocols and security classifications associated with documents remains an outstanding issue. The legality of this action is the subject of a joint brief to the Solicitor-General for determination. Regardless of the outcome, it appears that the Officer's protocols are not perceived to carry the weight of an explicit legislative requirement.

### Making information requests directly to public sector body heads

The Victorian public service is organised using 'portfolio' departments to monitor and provide advice to other public sector bodies that align to the function of government. This operational governance structure—separate to the legal structure of public sector bodies—supports Ministers to coordinate the many public sector bodies that may have accountabilities to them.

The Act enables the Officer to:

- make an arrangement, such as a memorandum of understanding, with a public sector body for obtaining information and documents (s 25 of the Act)
- request information and documents from a public sector body head where no arrangements exist (s 26 of the Act).

Public sector bodies and public sector body heads are defined in the Act to have the same meaning as the *Public Administration Act (2004)* which is:

- public sector body— a department, an administrative office, the Victorian Public Sector Commission, a public entity or a special body.
- public sector body head—department heads, heads of administrative offices, the Victorian Public Sector Commissioner, heads of public entities and heads of special bodies.

The Officer attempted to establish arrangements with key public sector bodies, for obtaining information and documents, early within the establishment period of the office. The Officer developed a draft memorandum of understanding which proposed:

- accountabilities of public sector body heads, their nominated representatives and the Officer to simplify the requirements of the Act
- longer periods for public sector bodies to respond to requests for information and documents depending on the level of urgency and complexity of the request
- information sharing arrangements so that the Officer could provide models and other information of a general nature back to public sector bodies where appropriate and useful.

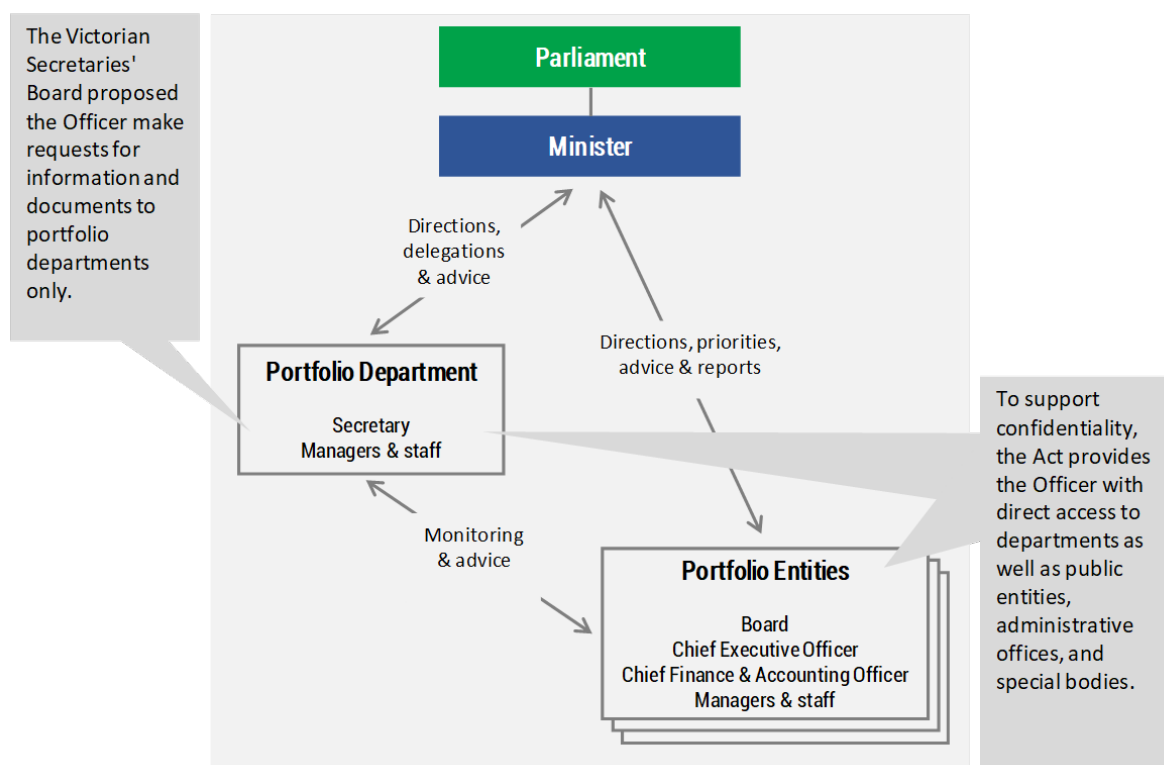
Three out of 11 arrangements offered were signed in August 2018 and were publicly released (s 25(3) of the Act) at [pbo.vic.gov.au/memorandum\\_of\\_understanding](http://pbo.vic.gov.au/memorandum_of_understanding).

The Secretary of the Department of Treasury and Finance wrote to the Officer in September 2018 on behalf of the Victorian Secretaries' Board advising that they would seek to establish arrangements under section 25 collectively. Central to their proposed amendments was requiring the Officer to make requests for information and documents to any public sector body through portfolio department heads (i.e. members of the Secretaries' Board) and that the Secretaries be copied on any response provided.

Figure 6 – Governance structure for the Victorian public service shows the operational governance arrangements of the Victorian public service and the central issue.



**Figure 6 – Governance structure for the Victorian public service**



Source: Parliamentary Budget Office adapted from the Victorian Public Sector Commission.

Based on the importance of maintaining the confidentiality of members of parliament requests and the Act clearly stating the intent of the legislators, the Officer assessed that the risk to members of parliament confidentiality under these terms was too high. The Officer abandoned further attempts during the election costing period to establish arrangements as per section 25 of the Act.

Instead, the Officer issued information requests under section 26 of the Act. There were no adverse impacts to the PBO from requesting information and documents under section 26, as the basis of the memorandum of understanding was to offer public sector bodies more time to respond to information requests and promote information sharing.

### Recommendation

1. To strengthen confidentiality for members of parliament, the *Parliamentary Budget Officer Act 2017* (Vic) is 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.



## Obtaining information from the public sector

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Where no memorandums of understanding are agreed with the Officer, public sector bodies are subject to a legislative requirement of three business days to respond to requests for information.

As part of establishing the PBO, the Officer raised awareness around the new role of the public sector to supply information by:

- writing to and meeting with key public sector body heads and their executive teams prior to commencing election policy costings in June 2018, to provide an overview of the office and the public sector's responsibilities
- individually contacted each public sector body head when making the first information request to introduce the PBO and their responsibilities.

Throughout the election costing period, the Officer:

- cleared each information request prior to sending to public sector body heads to ensure that requests were appropriate and required
- provided response performance metrics back to public sector body heads where significant impacts were occurring and sought to gain agreement to strategies to reduce timeliness issues.

A specific issue occurred during the election costing period where the Officer was not provided with a model—a spreadsheet of data and formulas to calculate costing information—by a public sector body head. The Officer was advised that provision of model was not practicable as it did not constitute 'information and documents' due to judgement associated with use of the model.

The Victorian Information Commission clearly defines information and documents publicly on its website, which includes spreadsheets. Equally, the Act specifically requires the Officer to use independent judgement when producing election policy costings; the Officer was requesting the spreadsheet, not the associated judgement.

In this instance, the PBO constructed its own model, consuming valuable PBO effort at a critical time, as the election policy costing was fundamental in enabling a complete and relevant post-election report to be released to the public.

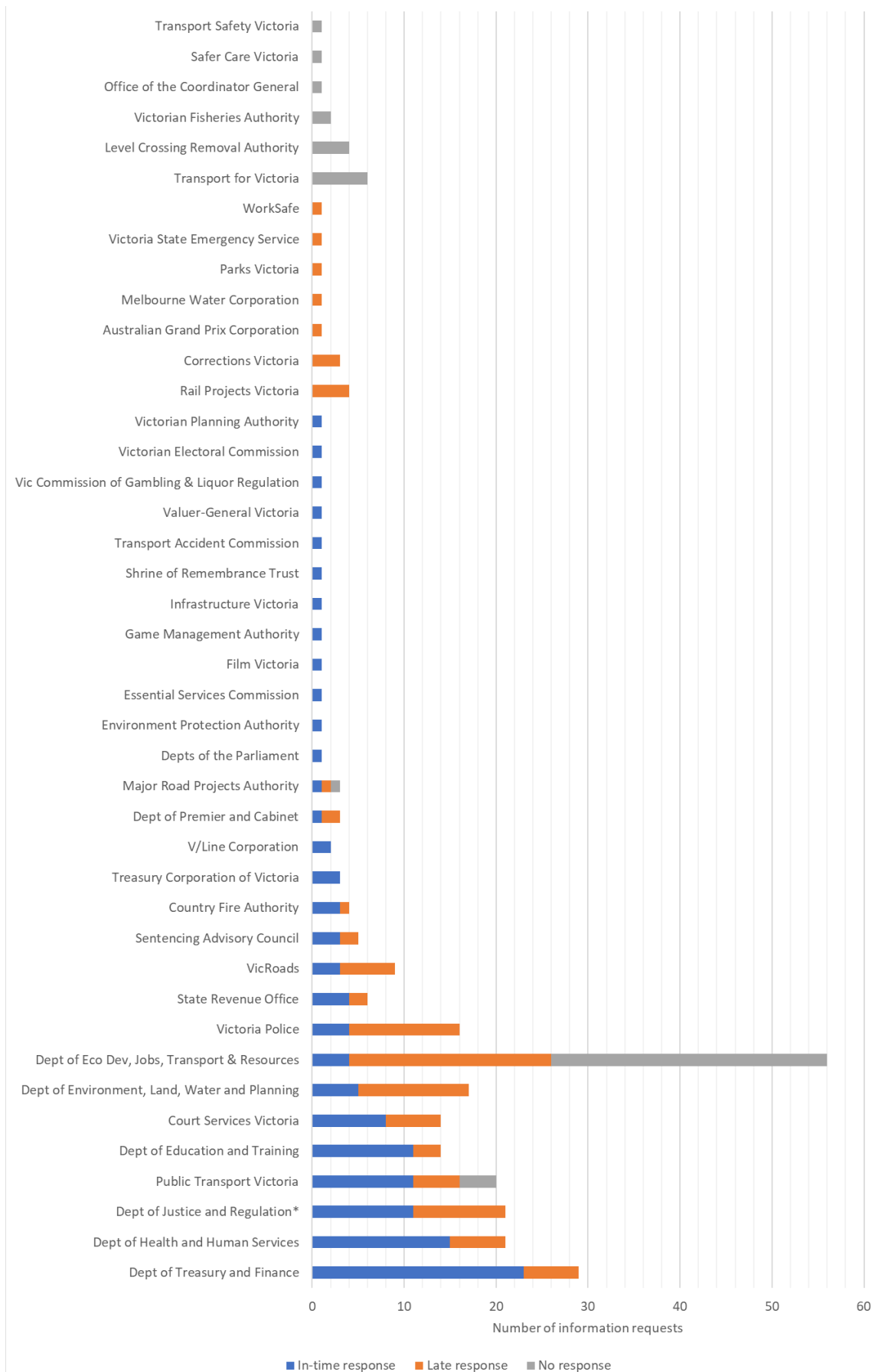
There were, however, more instances where public sector bodies have responded constructively to PBO information requests by:

- providing models and sharing knowledge about how their models are developed and used
- proactively advising the PBO when their responses would not be available within legislated timeframes.

The legality of not providing 'models' to the Officer is the subject of a joint brief to the Solicitor-General for determination. Regardless of the outcome, it appears that the lack of definition of 'information and documents' and 'not practicable' in the Act should be addressed to strengthen public sector support of information supply to the PBO.

For the 2018 general election, the Officer issued 287 information requests to 42 public sector bodies. Figure 7 - PBO information requests to public sector bodies illustrates the status of their response as at 31 January 2019.

**Figure 7 - PBO information requests to public sector bodies**



Source: Parliamentary Budget Office.

Across public sector bodies, 44 per cent of information requests were responded to in time, 38 per cent were late and 18 per cent were not responded to at all.

Although the Officer was able to prepare independent costings for 94 per cent of election policies, the impact of the 56 per cent of late or nil responses to the Office was largely to the efficiency of operations, namely:

- diversion of effort
  - to follow up requests for information and documents to the public sector
  - reconstruct public sector information and documents
  - identifying credible alternative sources of information, such as other jurisdictions
- magnification of the peak workload in December 2018 as a result of information response delays stacking up over time against a fixed deadline for post-election reporting.

This effort could have been better directed towards other activities, such as post-election reporting for additional political parties.

#### Recommendation

2. To improve efficiency and responsiveness, the *Parliamentary Budget Officer Act 2017* (Vic) is amended to ensure the Officer's access to requested information from the public sector is timely and meets the needs of the PBO.

### Multiple budget updates in an election year

Because policy costings are prepared using the most recently published state budget and forward estimates (s 37(2)(c) of the Act), each costing expires with the release of a new budget update.

The Officer commenced independent costings of publicly announced election policies during the election costing period knowing that re-examination would be required due to budget updates. This decision was due to:

- the relatively short timeframe to complete post-election reporting
- the lead times experienced in obtaining information from the public sector
- the timing for post-election report preparation encompassing the holiday period.

This strategy resulted in 100 per cent of publicly announced election policy costings being prepared for the ALP and LNP to enable post-election reports to be publicly released within two months after the general election. However, it was not the most effective use of PBO resources, adding significant additional effort on an already peak workload. This effort could also have been better directed towards post-election reporting for additional political parties. However, it was necessary to achieve the requirements of the Act.

This issue also had a consequential impact to the public sector, as the PBO needed to issue information requests multiple times to assess how election policy costings may be impacted by each budget update. The Officer limited this impact by writing to public sector body heads and requesting advice on whether the pre-election budget update and the subsequent half year budget update would result in a different response, if an information request was sent. This resulted in reduced administrative burden on both the PBO and the public sector. However, 235 election policy costings still needed to be re-prepared.

There may also be other impacts outside of the scope of the PBO that may be impacted by multiple budget updates in an election year. Consequently, solutions to this issue may be changes to the Act or a reduction in the number of budget updates in an election year.

Changes between the pre-election update on 5 November 2018 and the half year budget update (10 December 2018) were:

- The consumer price index was forecast to be 2.25 per cent in 2018-19 in the half year budget update (compared to 2.5 per cent in the pre-election budget update).
- Real gross state product growth was 3.5 per cent for 2017-18 in the half year budget update, stronger than the forecast of 3.25 per cent in the pre-election budget update.
- A net increase of \$5 million to 2021-22 in depreciation expense between the pre-election budget update and the half year budget update.
- Phasing for the contingency reserve relating to decisions made but not allocated moved slightly between the budget updates although remained the same in total.

These changes resulted in a one per cent variance in the net operating balance across the state budget and forward estimates.

Recommendation	
3.	To remove impacts to the PBO and the wider public sector, the Public Accounts and Estimates Committee investigates options to remove inefficiencies associated with multiple budget updates during an election year, prior to the next state general election.

## Duplication of election policy costings

The Act establishes a requirement on the Officer to prepare and publicly release a post-election report of publicly announced policies. On 24 January 2019, the Officer publicly released independent election policy costings and a post-election report for the ALP.

Under caretaker convention guidelines issued by the Department of Premier and Cabinet, the Department of Treasury and Finance (DTF) prepared policy costings at the request of political parties. This service was offered prior to the establishment of the PBO and was continued for the 2018 general election. Throughout the election costing period, DTF publicly released costing responses to requests by the ALP aligned to their election policies.

With the establishment of the PBO, the continuation of 'old ways of working' raises a significant risk to public confidence and effective use of public resources. Election policy costing prepared by the PBO are in the public domain in parallel with election policy costings prepared by DTF, for the government of the day. The former is a requirement of the Act, the latter is by convention.

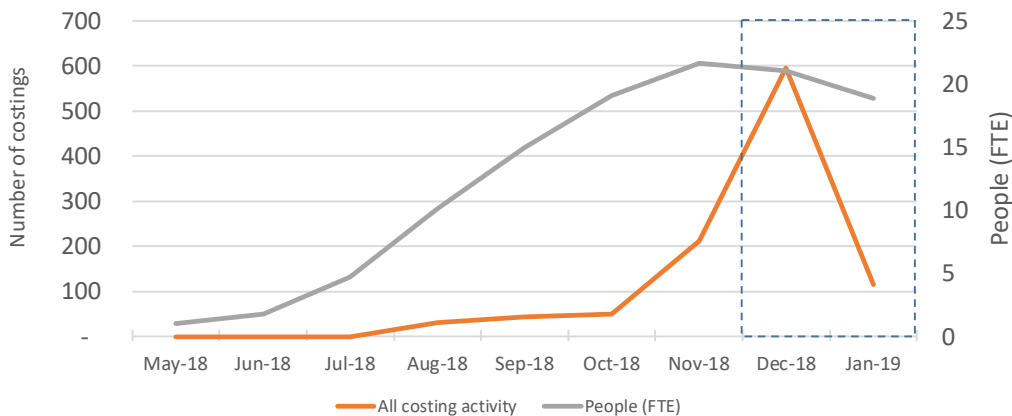
Recommendation	
4.	To avoid multiple versions of election policy costing information being in the public domain, the <i>Parliamentary Budget Officer Act 2017</i> (Vic) is amended to restrict the public sector from releasing election policy costings.

## Administrative matters

### Report of PBO Operations 'relating to' the election costing period

Section 27 of the Act requires the Officer to prepare a report about the PBO's operations (this report) during the election costing period (for this report, 1 May 2018 to 22 November 2018). In practice, the peak workload period for the PBO in relation to election policy costings occurred in December 2018, for post-election reporting. This was after the election costing period completed and the final number of publicly announced election policies could be judged. Figure 8 - PBO election policy costing activity shows the total activity by month and total workforce numbers.

Figure 8 - PBO election policy costing activity



Source: Parliamentary Budget Office.

To provide greater transparency to the parliament and community about the activities of the PBO, the content in this report has been expanded beyond the legislative requirement to report on all operations relating to election policy costings, including activities:

- during the election costing period
- after the election costing period to the public release of post-election reporting.

Recommendation	
5.	To improve oversight, the <i>Parliamentary Budget Officer Act 2017</i> (Vic) is amended to require the Officer to report on all Parliamentary Budget Office operations relating to election policy costing activities—from the election costing period through to post-election reporting.

Static PBO funding

The office is currently funded through the Department of Treasury and Finance budget process in line with other government initiatives or programs—i.e. it is included in the state budget and forward estimates with fixed funding.

The PBO’s operating budget is fixed at \$3.3 million per annum and is approximately:

- 90 per cent resource-related for service delivery—including the cost of staff, secondments and contractors
- 10 per cent corporate costs—including rent and other support costs.

Because the operating budget is a fixed annual amount and operating costs increase each year—such as salary increases in employee enterprise agreements and indexation factors in rental arrangements—the ongoing capacity of the office will be eroded each year as operating costs increase.

The level of erosion has been estimated at 1 FTE per annum—i.e. a total staff reduction of about 4 FTE by 2022–23, 25 per cent of PBO permanent staff (over the period of the next state budget and forward estimates).

In addition, based on the experience from the 2018 general election, additional operational funding will be required for surge resourcing to meet peak workload demands for the next election in 2022-23.

In a recent submission to the Expenditure Review Sub Committee, the Officer requested:

- annual indexation of PBO funding to maintain resource capacity
- additional funding to manage peak workload demands for the 2022 general election.

## Recommendation

6. To increase independence, the *Parliamentary Budget Officer Act 2017* (Vic) is amended to determine Parliamentary Budget Office funding in consultation with the Public Accounts and Estimates Committee, is indexed annually to maintain resource capacity for the ongoing delivery of services to members of parliament, with additional funding provided in an election year.

## Alignment between the Act and OECD principles for good practice

As a new independent financial institution, some issues experienced by the PBO will be resolved over time with experience, and others may require changes to legislation to embed good practices.

The Organisation for Economic Co-operation and Development (OECD) lead an international network of Independent Financial Institutions (IFI) and have developed a model of good practice principles for assessing IFI. Figure 9 - Principles of good practice for IFI provides an overview.

The Officer engaged the OECD to perform an independent legislative review to provide guidance on which significant matters may be driven by the legislation. Its scope was to consider the extent to which the Victorian PBO's legislative framework supports the institution operating in a way that aligns with good practice.

In general terms, the review found that provisions in the Act align with the principles in relation to local ownership, communication and independence and non-partisanship.

The review found partial alignment in the PBO's relationship with the legislature; noting that the Act specifically prevents the PBO from supporting parliamentary committees. It also found partial alignment with transparency, noting that Act is silent on the public release of PBO outputs of its own initiative, despite having an objective of parliamentary debate and public awareness in the Act. It also found that external evaluation is not mandated in the Act, but is addressed through review of PBO performance by the Public Accounts and Estimates Committee.

The review found gaps in the Act which prevent the PBO from effectively aligning with the principles for good practice for its mandate, resources and access to information. The OECD make six recommendations for the Public Accounts and Estimates Committee to consider in its review role.

The review found gaps in the Act which prevent the PBO from effectively aligning with the principles for good practice for its mandate, resources and access to information. The OECD make six recommendations for the Public Accounts and Estimates Committee to consider in its review role.

The Officer supports the OECD's independent assessment and recommendations.

The OECD's final report is included as Appendix B — OECD Independent Fiscal Institutions Review of the Victorian Parliamentary Budget Office. It is also located at [oecd.org/gov/budgeting/oecd-review-victorian-parliamentary-budget-office-2019](https://oecd.org/gov/budgeting/oecd-review-victorian-parliamentary-budget-office-2019).

**Figure 9 - Principles of good practice for IFI**



Source: OECD.

## Recommendation

7. To strengthen foundations for the future, the Public Accounts and Estimates Committee notes the OECD Independent Fiscal Institutions Review of the Victorian Parliamentary Budget Office (March 2019) and responds to recommendations.

## Appendix A — Legislative reporting requirements

Legislative reporting requirement	Reference within the Act	Page reference in this report
Cost of operations	s 27(1)(a)	10
Number of staff employed or engaged	s 27(1)(b)	10
Number of consultants engaged	s 27(1)(c)	10
Number of election policy costing requests received	s 27(1)(d)	7
Number of election policy costings prepared	s 27(1)(d)	2
Number of pre-election reports prepared	s 27(1)(e)	2
Significant issues or problems encountered in dealing with election policy costing requests or preparing election policy costings or pre-election reports	s 27(1)(f)	11
Each statement publicly released in accordance with a request under ss 38(2) or 40(2)	s 27(1)(g)	No request was made to release a statement of insufficiency
Number of times the PBO decided, under s 37(5), to stop preparing an election policy costing (excluding decisions for which a statement was released under s 38)	s 27(1)(h)(i)	7
Number of times the PBO decided, under s 39(6), to stop preparing a pre-election report (excluding decisions for which a statement was released under s 40)	s 27(1)(h)(ii)	All requests for pre-election reports were satisfied
Number of times the PBO decided, under s 43(2)(a), to defer the exercise of a function under ss 45 or 47 in relation to the election costing period	s 27(1)(h)(iii)	No requests under ss 45 or 47 were deferred
Number of times the PBO decided, under s 43(2)(b), to decline the exercise of a function under ss 45 or 47 in relation to the election costing period	s 27(1)(h)(iv)	9
Any recommendations for the future operations of the PBO	s 27(1)(i)	3
Any other information that the PBO considers appropriate	s 27(1)(j)	11
Must not include any information that enables the identification of a parliamentary leader or member of parliament or the nature of a request as it pertains to required disclosures in s 27(1)(h)(i)–(iv)	s 27(2)	Requirement satisfied

## Appendix B — OECD Independent Fiscal Institutions Review of the Victorian PBO

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The Organisation for Economic Co-operation and Development's (OECD) review considers the extent to which the Victorian PBO's legislative framework—most prominently the *Parliamentary Budget Officer Act 2017* (Vic)—supports the institution operating in a way that aligns with the OECD Principles for good practice.





# OECD Independent Fiscal Institutions Review

## **Victorian Parliamentary Budget Office (Australia)**

*An assessment of how the Parliamentary Budget Office's legislative framework aligns with the OECD Principles for Independent Fiscal Institutions*



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## Abbreviations and acronyms

AIReF	Spanish Independent Authority for Fiscal Responsibility
CBO	US Congressional Budget Office
CBR	Slovak Council for Budget Responsibility
CFP	Portuguese Public Finance Council
CPB	Netherlands Bureau for Economic Analysis
DTF	Victorian Department of Treasury and Finance
FAO	Ontario Fiscal Accountability Office
IFAC	Irish Fiscal Advisory Council
IFI	Independent Fiscal Institution
LAO	Californian Legislative Analyst's Office
NABO	Korean National Assembly Budget Office
OBR	UK Office for Budget Responsibility
OECD	Organisation for Economic Cooperation and Development
PAEC	Public Accounts and Estimates Committee at the Victorian Parliament
PBO	Parliamentary Budget Office
SFC	Scottish Fiscal Commission
UK	United Kingdom
US	United States

## Executive summary

The Victorian Parliamentary Budget Office (PBO) was established on 23 April 2018 with the appointment of the inaugural Parliamentary Budget Officer, to provide all parties and members of parliament with access to independent policy costing and advisory services. Prior to the PBO being established, opposition parties only had access to the Victorian Department of Treasury and Finance (DTF) in election periods to obtain policy costings. The establishment of the PBO helps level the playing field between the government of the day and the opposition parties, who now all have access to an independent and confidential election costings service.

Victoria is the first Australian state or territory to establish a PBO on a permanent basis. Its establishment is part of a clear trend towards establishing independent fiscal institutions (IFIs) across OECD countries. The OECD Council adopted the *Recommendation of the Council on Principles for Independent Fiscal Institutions* to provide good practice standards for member countries that have established or are considering establishing an IFI, grounded in the experience of IFIs to date. The OECD 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.

This review considers the extent to which the Victorian PBO's legislative framework – most prominently the *Parliamentary Budget Officer Act 2017* (Victoria) – supports the institution operating in a way that aligns with the OECD Principles for good practice.

The Review finds that provisions in the PBO's legislative framework facilitate the PBO in aligning - in general terms - with the OECD Principles in relation to:

- **Local ownership** – the role and structure of the PBO reflects the local needs of members of parliament for independent policy costing and advisory services.
- **Independence and non-partisanship** – the legislation provides for independent appointments and non-partisan analysis.
- **Communication** – the legislation provides for the PBO to publish on its own website and does not set out any restrictions on it developing a well-functioning relationship with the media.

The Review finds partial alignment with the OECD principles relating to:

- **Relationship with the legislature** – although the legislation provides for accountability of the PBO to the legislature, it prevents the PBO from supporting the work of parliamentary committees, including the Public Accounts and Estimates Committee (PAEC).
- **Transparency** – although the legislation sets public reporting requirements regarding PBO operations and its post-election report, it is silent on the public release of PBO outputs of its own initiative required to achieve its objective of public awareness and debate.

- **External evaluation** – although the legislation allows for review of the PBO's performance by the PAEC, external evaluation is not mandated in legislation, nor does the PBO have a permanent advisory panel or board.

Finally, the Review found gaps in the legislation which prevent the PBO from effectively aligning with OECD Principles relating to **mandate**, **resources** and **access to information**. In order to close these gaps, this review sets forth the following six key recommendations to enhance the PBO's legislative framework:

- **Mandate**

1. 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.
2. 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.
3. 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.

- **Resources**

4. To protect its resources from political pressure, the PBO's budget should be determined in consultation with PAEC, taking into account the PBO's operational plan, similar to other independent bodies. The PBO should also be guaranteed additional resources during election years.

- **Access to information**

5. To ensure full access to public sector information, the PBO's legislation should more clearly define 'information and documents' and the circumstances under which a stakeholder might provide a nil response due to a request being 'not practicable'. There should also be consequences for systemic non-compliance with information requests.
6. To ensure that the PBO can deliver on its mandate to provide independent and confidential policy costings and advice, there should be provisions to ensure that public sector bodies deal with the PBO's information requests in a confidential manner.

A summary assessment of the extent to which the Victorian PBO's legislative framework aligns with the OECD Principles follows.



### Alignment of the Victorian PBO's legislative framework with the OECD Principles for Independent Fiscal Institutions

Key: ●=yes; ◐=partial; ○=no

OECD Principle	Assessment	Notes
<b>1. LOCAL OWNERSHIP</b>		
1.1 Broad national ownership, commitment, and consensus across the political spectrum. Models from abroad should not be artificially copied or imposed.	●	There was broad political support for the PBO's establishment. However, there were alternative views on how the PBO should be designed when its legislation was debated. Its design was influenced by international best practices, but it was set up with the local context in mind.
1.2 Local needs and the local institutional environment should determine options for the role and structure of the IFI.	●	The PBO addresses the local need for independent and confidential policy costings and advice for all political parties in Victoria.
<b>2. INDEPENDENCE AND NON-PARTISANSHIP</b>		
2.1 Does not present its analysis from a political perspective; strives to demonstrate objectivity and professional excellence, and serves all parties. IFIs should be precluded from any normative policy-making responsibilities to avoid even the perception of partisanship.	●	Legislation precludes the PBO from any normative policy-making responsibilities.
2.2 The leadership of an IFI should be selected on the basis of merit and technical competence, without reference to political affiliation. The qualifications should be made explicit.	●	Legislation states that the (cross-party) PAEC recommend the candidate to be appointed PBO, offering some protection to ensure the candidate is non-partisan. The PBO is also an independent officer of Parliament. There are no specifications relating to merit or technical competence specified in the legislation, however a merit based recruitment process was undertaken in line with the merit principle contained within the <i>Parliamentary Administration Act (2005)</i> .
2.3 Term lengths & number of terms that the leadership of the IFI may serve should be clearly specified in legislation along with dismissal criteria & process.	●	The head of the PBO has an initial term of five years, renewable for an additional four years. They may not serve more than nine years.
2.3 The leadership's term should optimally be independent of the electoral cycle.	●	Leadership terms are independent of the four-year political cycle.
2.4 The position of head of the IFI should be a remunerated and preferably full-time position. Strict conflict-of-interest standards should be applied.	●	The PBO leader is remunerated and full time.
2.5 The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.	●	The PBO leader has full freedom to hire and dismiss staff in accordance with applicable employment laws.
2.6 Staff should be selected through open competition based on merit & technical competence, without reference to political	●	Conditions of employment are legislated under the <i>Parliamentary Administration Act (2005)</i> , as well as under the PBO Act 2017.

affiliation, in line with civil service conditions.		
<b>3. MANDATE</b>		
3.1 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.	●	The mandate, reporting commitments and recipients of the PBO's reports are defined in primary legislation. However, public sector caretaker convention guidelines have not been updated, meaning DTF continue to undertake election costings.
3.2 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.	○	The legislation explicitly requires the PBO to "inform policy development and public debate in Parliament and the Victorian community", however it is silent on undertaking analysis at its own initiative.
3.3. Clear links to the budget process should be established within the mandate.	○	The PBO has a narrow mandate that is not linked to the budget cycle.
<b>4. RESOURCES</b>		
4.1 The resources allocated to IFIs must be commensurate with their mandate.	●	The PBO faces a reduced real terms budget in coming years and there are no provisions to ensure that it is allocated additional resources during election years when its workload increases.
4.1 The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies.	○	Although the PBO is an administrative office of the parliament and has its own budget line, it is required to conform to the budget process for government agencies, managed by the DTF.
4.1 Multiannual funding commitments may further enhance IFIs independence and provide additional protection from political pressure.	●	The public sector annual budget process identifies budget values for the next financial year and estimates for the following three years – hence, for four years in total. These figures are updated as part of the annual budget process, which is managed by government.
<b>5. RELATIONSHIP WITH THE LEGISLATURE</b>		
5.1 Mechanisms should be put in place to encourage appropriate accountability to the legislature.	●	Legislation sets out mechanisms for parliamentary oversight of the PBO's leadership appointments, funding and operation, although the PBO is not mandated to support the work of parliamentary committees, such as the PAEC.
5.1 The budgetary calendar should allow sufficient time for the IFI to carry out analysis necessary for parliamentary work.	○	The PBO must cost election policies based on the latest budget update. However, legislation does not provide the PBO with independent oversight functions linked to the annual budget process.
5.2 The role of the IFI vis-a-vis the parliament's budget committee (or equivalent), other committees, and individual members in terms of requests for analysis should be clearly established in legislation.	○	Legislation prevents the PBO from supporting parliamentary committees. However, nothing in legislation prevents a member from requesting advice or costings from the PBO and sharing it with a parliamentary committee.
<b>6. ACCESS TO INFORMATION</b>		

6.1 IFI should have full access to all relevant information in a timely manner.	●	The PBO has access to information secured in legislation. However, there are some restrictions set out and some provisions lack clarity, which has impeded access.
6.2 Any restrictions on access to government information should be clearly defined in legislation.	○	Restrictions are not clearly defined in legislation.
<b>7. TRANSPARENCY</b>		
7.1 IFI should act as transparently as possible, including full transparency in their work and operations.	●	The PBO was set up to provide an independent and confidential elections costings service and, in line with this, legislation restricts the public release of PBO outputs requested by members of parliament. There are, however, some transparent reporting requirements. The PBO must release a post-election report. It must also publish its operational plan and annual report.
7.2 IFI reports and analysis (including underlying data and methodology) should be published, made freely available to all and sent to parliament.	○	Legislation restricts PBO outputs requested by members of parliament from public release unless requested by the member of Parliament. Legislation is silent on the PBO publicly releasing work undertake at its own initiative.
7.3 The release dates of major reports and analysis should be formally established, especially in order to coordinate them with the release of relevant government reports and analysis.	●	PBO publications required in its legislation are subject to clear publication timescales.
7.4 IFIs should release their reports and analysis, on matters relating to their core mandate on economic and fiscal issues, in their own name.	●	Legislation provides for the PBO to release reports in its own name.
<b>8. COMMUNICATIONS</b>		
8.1 IFIs should develop effective communication channels from the outset.	●	Legislation requires the PBO to publish on its own website and does not provide any restrictions on it developing a well-functioning relationship with the media.
<b>9. EXTERNAL EVALUATION</b>		
9.1 IFIs should develop a mechanism for external evaluation of their work.	●	The PAEC is mandated to review and assess how well the PBO's functions are being performed. However, external evaluation is not mandated in legislation, nor does the PBO have a permanent advisory panel or board to provide feedback.



## Introduction

The Victorian Parliamentary Budget Office (PBO) was established on 23 April 2018 with the appointment of the inaugural Parliamentary Budget Officer, through the *Parliamentary Budget Office Act 2017* (Victoria) (from here on referred to as “the Act”). It is one of a growing number of independent fiscal institutions (IFIs) being set up across the OECD to help improve fiscal oversight.

To support the development of these institutions, the OECD Council has adopted the *Recommendation of the Council on Principles for Independent Fiscal Institutions* (from here on referred to as “the OECD Principles”). These 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 that stands up to public scrutiny and informs the public debate.

This OECD Review assesses the extent to which the enabling legislation for the Victorian PBO allows the institution to function in line with the OECD Principles, grouped under nine broad headings: (1) local ownership; (2) independence and non-partisanship; (3) mandate; (4) resources; (5) relationship with the legislature; (6) access to information; (7) transparency; (8) communication; and (9) external evaluation.

**Figure 1. OECD Principles for Independent Fiscal Institutions**



The Review considers each of these nine areas in turn and provides recommendations to address any gaps in order to strengthen the PBO’s legislative framework and enable it to operate more effectively and sustainably over the long run.

## 1. Local ownership

### 1.1 Local ownership

The OECD Principles state, “To be effective and enduring, an IFI requires broad national ownership, commitment, and consensus across the political spectrum” (Principle 1.1). In addition, “Local needs and the local institutional environment should determine options for the role and structure of the IFI” (Principle 1.2).

In 2017, Victoria became the first Australian state to enact legislation to establish a permanent PBO. The PBO was created to ‘level the playing field’ between the government of the day, with access to Victorian Department of Treasury and Finance (DTF) and public sector bodies and information, and those seeking to form government. Whilst DTF offered election policy costing services to all political parties in election periods, political parties hesitated using them as there were perceived to serve the government of the day. As such, the PBO was established as a permanent independent office to:

1. provide all parties and members of parliament with access to independent policy costing and advisory services to support better policy development on an ongoing basis;
2. remove the conflict of interest perceived around DTF policy costings;
3. provide confidentiality in obtaining policy costings and financial, economic and fiscal advice to support policy development outside of election periods;
4. remove the information asymmetry between the government of the day and opposition parties, by providing the PBO with access to public sector information and documents to perform credible and independent policy costings;
5. provide minor parties and independent members of parliament access to free costing services, not previously available to them.

Central to its design is the requirement for confidentiality associated with PBO outputs requested by members of parliament, unless specifically requested for public release. Prior to the establishment of the PBO, opposition parties only had access to the DTF during election periods to obtain policy costings. Once costed, these were publicly released on the DTF’s website. Opposition parties felt uncomfortable handing over their policies to DTF, which serves the government of the day, due to the lack of confidentiality and perceived risk in signalling policy intentions prior to their public release. This approach also did not allow for iterations of policies to be costed to support policy development, as it entailed publicly releasing what was costed.

Although the establishment of the PBO enjoyed broad political support, parties had diverging views on its design. There were debates regarding the PBO’s role, scope and mandate, and on whether the institution should be established temporarily (only during election periods) or on a permanent basis.

As such, the draft PBO legislation originally introduced in Parliament in 2013 by the Liberal and National Coalition government looks different to the legislation passed in June 2017 under the Labor government. In particular, the enacted PBO is a broader and more permanent institution than originally envisaged. The main changes are summarised in Table 1 below.

**Table 1. Comparing the draft legislation with the final PBO Act 2017**

	Proposals for the Draft legislation made by the Liberal and National Coalition Government	Provisions in the final PBO Act 2017
<b>Design</b>	The Coalition proposed a temporary PBO, established before election time and operating for a limited period after the election, staffed mainly by DTF officers on secondment.	The Act provides for a permanent office, with resource and staffing to achieve its stated objective 'for members of parliament to be provided with ongoing, authoritative, independent and credible policy costing and advisory services'.
<b>Scope</b>	The Coalition proposed that the scope of the office should be limited to policy costings.	The Act provides for the PBO to formulate policy costings and provide financial, economic and fiscal advice to political parties and members of parliament.
<b>Mandate</b>	The Coalition proposed that access to the PBO's policy costings be restricted to parliamentary leaders only.	The Act allows for all members of parliament to have access to the PBO's services.

Source: OECD 2019, based on information provided by the Victorian PBO

Further, during passage of the final legislation, some political stakeholders expressed concerns that the 'loose language' leaves some aspects of the PBO's work open to possible misinterpretation<sup>1</sup>, and limits the ability of members to publish correspondence with the PBO<sup>2</sup>.

Consequently, while the Act was passed, it did not benefit from full bi-partisan support, as outlined by the Shadow Treasurer in June 2017:

*'...while the opposition will not be opposing the amendments that have been moved today by the Treasurer, this does not mean that this bill has bipartisan support. For the reasons I have outlined, it does not, and that is a matter of great shame not just for the government but I think for this Parliament'.*

*Hansard 20 June 2017, p. 1878*

The lack of bi-partisan support for the creation of the PBO gives it a greater task in terms of proving its value to political stakeholders to ensure its sustainability over the medium to longer term. Key to this is that, since its creation, the PBO has delivered outputs for parties across the political spectrum.

## 1.2 Summary

Overall, the PBO's legislation aligns well to the principle of local ownership. The institution was set up in response to local needs for independent election costing and its design, while influenced by the set-up of existing PBOs<sup>3</sup>, does not artificially copy a model from abroad. Central to its design is the requirement for confidentiality associated with

<sup>1</sup> For example, the definition of a 'publicly announced' policy in the context of post-election reports (clause 41) requires judgement by the Parliamentary Budget Officer as to what constitutes a publicly announced policy.

<sup>2</sup> This refers to clause 55 of the PBO Act 2017, relating to preliminary documents produced by the Parliamentary Budget Officer.

<sup>3</sup> In debates in both Houses of the Parliament, references were made to the Commonwealth and the New South Wales PBOs.

PBO outputs requested by members of parliament, unless specifically requested for public release. While there was diverging political views on the design of the PBO, there was broad political support for its establishment.

## 2. Independence and non-partisanship

### 2.1 Independence and non-partisanship

OECD Principles stipulate that non-partisanship and independence are important pre-requisites for a successful IFI. As such, “a truly non-partisan body must not present its analysis from a political perspective, and must always strive to demonstrate objectivity and professional excellence, while serving all parties” (Principle 2.1).

The Act provides for several protections to ensure the Victorian Parliamentary Budget Officer is independent and non-partisan. For example, it mandates the cross-party Public Accounts and Estimates Committee (PAEC) with recommending the candidate to be appointed as Parliamentary Budget Officer, which aims to safeguard the appointment of the leader from political interference. In addition, under the Act, the PBO leader is an independent officer of the parliament, which stands as another form of protection against political influence.

Furthermore, the Act states that the Parliamentary Budget Officer is not to question the merits of policies, which precludes the PBO from any normative policy-making responsibilities to avoid the perception of partisanship. This is in line with restrictions in peer institutions. To date, the PBO has had demands from, and delivered outputs to parties across the political spectrum, which stands as testament that it is well regarded as independent and objective.

### 2.2 Leadership selected on the basis of merit and technical competence

OECD Principle 2.2 states that “the leadership of the IFI should be selected on the basis of merit and technical competence”. There are no legislative provisions in PBO legislation that stipulate that leadership of the Victorian PBO should be selected on the basis of merit and technical competence, as is the case for some other OECD IFIs (see Table 2).

**Table 2. Examples of legislative provisions relating to expertise of IFI leader**

Institution	Legislative provisions
Canadian PBO	The Parliamentary Budget Officer must have demonstrated experience and expertise in federal or provincial budgeting.
Hellenic Fiscal Council	The leader of the Hellenic Fiscal Council must have a PhD in Economics and have 15 years of relevant experience.
Irish Fiscal Advisory Council	In appointing members of the Fiscal Council, the Minister must have regard to the desirability of their having competence and experience in domestic or international macroeconomic or fiscal matters.

Source: OECD 2019

Despite this, the PAEC sought to recommend candidates for appointment based on merit, in alignment with the merit principle contained within the *Parliamentary Administration Act (2005)*. The Committee explicitly stated that it was looking for a candidate with “significant experience in public policy and policy costings or similar” and “a strong understanding of government finance”. More specifically, the candidate information booklet stated that the Committee were looking for a candidate with “tertiary qualifications

in a related field and preferably post-graduate qualifications in economics or business”. The Committee also contracted an executive recruitment firm to assist with the merit-based recruitment process.

### ***2.3 Leadership term lengths***

Term lengths and the number of terms that the leader of the PBO may serve are clearly specified in the legislation, as recommended in OECD Principle 2.3<sup>4</sup>. The leadership terms differ from the fixed four-year parliamentary terms in Victoria, ensuring that the leadership’s term is independent of the electoral cycle. The PBO leader’s initial term is five years, renewable for an additional four years, to avoid the next recruitment activity occurring just before an election and hence negatively impacting the PBO’s service delivery. The PBO may not serve more than nine years in total. Further, the criteria and process for removal of the Parliamentary Budget Officer are set in legislation.

### ***2.4 Remuneration of leadership***

In line with OECD Principle 2.4, the Act sets out that the position of Parliamentary Budget Officer is remunerated. It does not state that the position is full-time, but in practice the first leader is employed on a full-time basis. While the Act states that the leader may engage in outside employment with the prior consent of the Parliamentary Committee, it also provides for strict conflict-of-interest standards.

### ***2.5 Leadership freedom to hire and dismiss staff***

The leadership of the PBO has full freedom to hire and dismiss staff in accordance with applicable business laws, aligning to OECD Principle 2.5<sup>5</sup>. Conditions of employment are also legislated under the *Parliamentary Administration Act (2005)*, as well as under the Act aligning with Principle 2.6<sup>6</sup>. The legislation also sets out that the PBO may engage consultants “with suitable qualifications and experience”.

### ***2.6 Summary***

Overall, the PBO’s legislative framework is generally strong in terms of reinforcing the OECD Principles of independence and non-partisanship.

## **3. Mandate**

### ***3.1 Definition of mandate in higher-level legislation***

The OECD Principles state that an IFI should have its mandate clearly defined in higher-level legislation (Principle 3.1). Section 5 of the Act provides the PBO with a relatively

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<sup>4</sup> Principle 2.3 states, “Term lengths and the number of terms that the leadership of the IFI may serve should be clearly specified in legislation as should be the criteria and process for dismissal for cause. The leadership’s term should optimally be independent of the electoral cycle. Independence may be enhanced by defining the term span beyond the electoral cycle.”

<sup>5</sup> Principle 2.5 states, “The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.”

<sup>6</sup> Principle 2.6 states, “Staff should be selected through open competition based on merit and technical competence and without reference to political affiliation. Conditions of employment should be along the lines of that of the civil (or parliamentary) service.”

narrow mandate, mainly focused on the costing of election platforms. Box 1 below details the variety of costing work undertaken by OECD IFIs. It can be seen that the Victorian PBO is one of the few OECD IFIs mandated to cost election platforms. However, there is growing demand for IFIs to take on this function, particularly in countries with a Westminster parliamentary heritage<sup>7</sup>.

#### **Box 1. Election costing – a rare function across OECD IFIs**

Half of the institutions in OECD member countries (50%) have a costing role, with this function found across all parliamentary budget offices and a number of fiscal councils. However, there is notable diversity in the type of costing work undertaken. The **US Congressional Budget Office** costs almost every bill reported by congressional committees (between 500 and 700 annually). The **Slovak Council for Budget Responsibility** may publish opinions, particularly in terms of implications for the general government budget and long-term sustainability, on draft legislation submitted to the National Council at its own initiative or at the instigation of a parliamentary group. Some institutions also have a role in scrutinising policy costings. For example, the **UK Office for Budget Responsibility** scrutinises the costings of budget measures produced by government departments.

While the function of costing of election platforms has generated a lot of interest within the OECD membership, so far only the **Netherlands CPB**, the **Australian PBO** and the **Canadian PBO** have this function at the national level. The **Netherlands CPB** has been costing election platforms and coalition agreements since the 1980s and, although voluntary, all major parties now ask for such costings. The **Australian PBO** has a mandate to prepare costings of publicly announced policies on request by authorised members of parliamentary parties or independent members during the caretaker period for a general election. After a general election, it must report on the budget impact of election commitments of designated parliamentary parties. The **Canadian PBO** has undertaken policy costings since its establishment, but had its mandate changed in 2017 to include estimating the financial cost of election campaign proposals. Costings may be requested by recognised parties represented in the House of Commons and individual members.

At the subnational level, only the **Victorian PBO** and the **New South Wales PBO** (both in Australia) have a mandate to cost election platforms.

*Source: OECD 2019*

The functions of the Victorian PBO are also clearly specified in Part 3 of the Act. The functions of the office are expanded during an election costing period, as shown in Figure 2.

<sup>7</sup> For example, in the UK there have been several proposals to expand the Office for Budget Responsibility's mandate to include the costing of pre-election policy proposals. In addition, there have been calls for the Irish Parliamentary Budget Office to undertake independent costings of policy proposals from political parties and groups at the Oireachtas.



**Figure 2. Functions of the Victorian PBO**

Ongoing functions	Additional functions <u>during an election costing period</u>
Policy costings, upon request from members of Parliament	Election policy costings, on request from parliamentary leaders
Advisory services to members of Parliament	Pre-election reports on costed policies, on request from parliamentary leaders
	Post-election reports on the policies of each parliamentary leader that were publicly announced before the date of the general election, whether or not those policies were the subject of an election policy-costing request

Source: OECD 2019, adapted from the Parliamentary Budget Officer Act 2017 (Victoria)

The Act prescribes specific reporting requirements for the Victorian PBO, along with their timing. In particular, the PBO is to publish:

- Statements of insufficiency, if required
- Standing arrangements for obtaining information or documents from public sector bodies
- Requests for information or documents from public sector bodies
- A report of PBO operations during election costing period, within three months of election
- An operational plan for each financial year, to be produced by 30 June each year
- Annual reports, to be produced by 31 October each year

When a new public institution is set up, it is important to consider what adjustments may need to be made to the broader legislative framework to adapt existing roles. This is particularly important where the new institution is undertaking a function previously done elsewhere in the public service, as is the case with the Victorian PBO and election costings. For example, when the Australian PBO was established, legislation was adapted so that political parties cannot request a costing from both the PBO and the Treasury/Department of Finance.

In this context, it is notable that since the establishment of the Victorian PBO, the DTF's election costing role remains unchanged<sup>8</sup>. During the 2018 election period, this resulted in both the DTF and the PBO costing the serving government's election policies (the PBO

<sup>8</sup> Although there is no legislative requirement of DTF to perform policy costings, it relies on the Guidelines on the Caretaker Conventions which were issued by the Department of Premier and Cabinet (DPC) on 14 May 2018 as its mandate to perform election policy costings. Section 2.70 of the caretaker conventions notes that during the caretaker period, government and non-government parties may seek DTF to undertake a costing of their own policies.

costed them for the post-election report along with the election policies for non-government parties). Given the original intention of establishing the Victorian PBO was to level the playing field for election costings, it would be preferable for the Victorian PBO to provide the costings for all parties.

**Box 2. Policy costing functions of the government and the PBO during election periods in Australia and Canada**

**Australian PBO**

The Australian PBO serves to level the playing field between government and non-government parties by providing a confidential costing service outside of the election caretaker period. As such, the PBO provides non-government parties with access to a high quality costing service and the ability to control the release of the costing information. Prior to the creation of the PBO, the opposition parties made very little use of government resources to cost policies, due to the perceived lack of confidentiality.

Under section 29 of the Charter of Budget Honesty Act 1998, the Australian Treasury and the Finance Department can do election costings for the government, the opposition and minority parties. Both the Charter of Budget Honesty Act and the Parliamentary Service Act (section 64j) contain provisions prohibiting a party from requesting a costing from both the PBO and the Treasury/Department of Finance.

As such, although both the PBO and the Treasury/Finance Department can do costings for any party (government, opposition, minority parties), political parties cannot request costings of the same policy from both the PBO and the Treasury/Finance Department. In practice, the serving government tends to request policy costings from the Treasury/Finance Department, while the opposition and minority parties use the PBO.

When the PBO publishes its post-election report, it validates and incorporates any costings prepared by the Treasury/Finance Department in the caretaker period.

*Source:* Australian PBO 2019

**Canadian PBO**

In Canada, legislation provides for the PBO to be the sole provider of election costings for all parties, along with the governing party. However, in practice, the governing party primarily campaigns on their most recent Budget, which has already been costed by the Department of Finance as part of the budget process.

By convention, the Department of Finance (and other government departments) does not provide support to the governing party as part of their re-election effort. This would be perceived as partisan effort tilting the playing field in its favour.

*Source:* Canadian PBO 2019

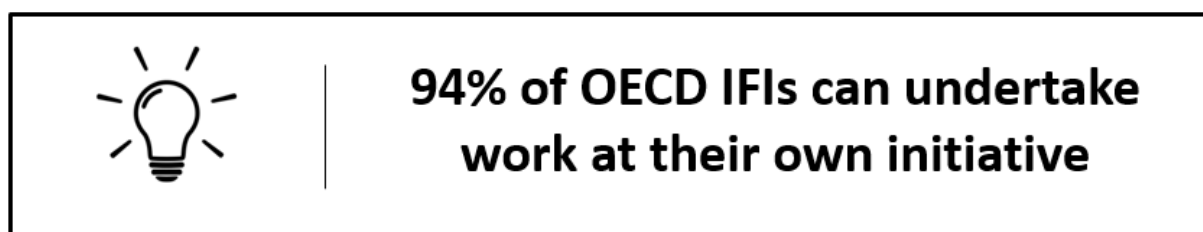
### ***3.2 Reports and analysis at own initiative***

OECD Principle 3.2 states that IFIs should have the scope to produce reports and analysis at their own initiative, with the goal of enriching the parliamentary and public debate on fiscal policy, and potentially using their expertise for early warning on fiscal issues. Similarly, IFIs should have the autonomy to determine their own work programme within the bounds of their mandate.



The Victorian PBO's legislation is explicit around the goal of enriching the parliamentary and public debate through its stated objective to “inform policy development and public debate in Parliament and the Victorian community”. It provides scope for policy costing and advisory services requested by a member of parliament or a parliamentary leader, however it is silent on the PBO undertaking analysis at its own initiative. This contrasts starkly with the position in other OECD IFIs, as shown in Figure 3. Of the 36 institutions that have been established across OECD countries, only the Victorian PBO and the French High Council of Public Finance are not explicitly mandated to undertake work at their own initiative<sup>9</sup>.

**Figure 3. Percentage of OECD IFIs that undertake work at their own initiative**



Source: OECD 2019

To strengthen its independence and align with international norms, the Victorian PBO's legislation should specifically include provisions to undertake work at its own initiative to support the parliamentary and public debate objective of the legislation. Examples of provisions in this respect at the Australian PBO are provided in Box 3.

**Box 3. The Australian PBO and its ability to undertake work at its own initiative**

The Parliamentary Service Act 1999 sets out the functions of the Australian PBO, including the function to conduct research on, and analysis of, the budget and fiscal policy settings at the initiative of the Parliamentary Budget Officer (Section 64E). The PBO makes this work publically available on its website.

Examples of the type of work that the Australian PBO conducts at its own initiative are:

- **Research reports:** The PBO publishes regular publications such as medium-term budget projections and a national fiscal outlook. It also undertakes ad-hoc analyses. Recent examples include “Trends affecting the sustainability of Commonwealth taxes” and “Disability Support Pension – Historical and projected trends”.
- **Chart packs and other budget analyses:** The chart packs provide a visual summary of the key drivers of the change in the budget estimates between budget updates. Other budget analysis illustrates key features of the budget.

Source: Australian PBO 2019

<sup>9</sup> The French High Council of Public Finance (HCFP) has a very constrained mandate relative to other OECD IFIs. Article 21 of its organic law prohibits the HCFP from undertaking work on its own initiative beyond what is provided for in the law.

### 3.3 Mandate with clear links to the budget process

The OECD Principles state that clear links to the budget process should be established within the IFIs mandate (Principle 3.3). Typical tasks carried out by IFIs might include (but are not limited to): economic and fiscal projections; baseline projections (assuming unchanged policies); analysis of the executive's budget proposals; monitoring compliance with fiscal rules or official targets; costing of major legislative proposals; and analytical studies on selected issues. In this regard, Table 3 shows that the Victorian PBO has a narrower mandate relative to peer institutions, and one without clear links to the budget process as envisaged by the OECD Principles.

**Table 3. Functions of OECD PBOs**

PBO	Functions								
	Briefing on economy and public finance	Analysis of executives budget proposal	Support parliament committees	LT fiscal sustainability analysis	Role in macro-economic or fiscal forecasts	Cost estimates (policies, legislation) <sup>1</sup>	Individual member budget inquiries <sup>2</sup>	Monitoring compliance w/ fiscal rules	Costing election platforms
AUSTRALIA	●	●	●	●	○	●	●	○	●
AUSTRIA	●	●	●	○	○	○	●	○	○
CANADA	●	●	●	●	□	●	○	○	●
GREECE	●	●	●	●	■	○	○	●	○
ITALY	●	●	●	●	■	○	○	●	○
KOREA	●	●	●	●	□	●	●	○	○
MEXICO	●	●	●	○	□	●	●	○	○
UNITED STATES	●	●	●	●	□	●	●	○	○
VICTORIA	○	○	○	○	○	●	●	○	●
TOTAL	8	8	8	6	6	6	6	2	2
% of PBOs	89%	89%	89%	67%	67%	67%	67%	22%	22%

Notes: 1. The Austrian PBO, the Greek PBO and the Italian PBO undertake impact assessment of new legislation. 2. Although the Canadian PBO does not do individual member inquiries relating to the budget, it does financial costings for individual members.

Key: ● = Yes, ○ = No, ◐ = Other, ■ = Assess forecasts only, □ = Prepare alternative forecasts

Source: OECD 2019

The Victorian PBO would better align with the OECD Principles and international norms if its remit was broadened to include functions linked to the budget process. Functions undertaken by all other PBOs in this regard include; briefing on the economy and public finance, analysis of the executive's budget proposal and support for parliamentary committees. Beyond this, the functions of each institution tend to vary according to local needs, as illustrated in Box 4. Any new functions that the Victorian PBO takes on should also reflect local needs.

The Victorian PBO could take on new functions to help the Victorian Parliament to ensure that the budget is managed in line with the *Financial Management Act 1994* (Victoria). For example, Section 23C sets out that the government operate in accordance with principles of sound financial management and Section 23E sets out that the Minister must prepare financial policy objectives and strategies statements. The PBO could support budget oversight through monitoring the compliance of budget proposals in these areas. Another potential area where the PBO might usefully input to the budget process is through independent assessment of the estimated financial statements (Division 4), which underpin the PBO's policy costings.

Any new roles given to the PBO should not duplicate the work of existing institutions in this area, such as the Victorian Auditor General. Across the OECD, IFI's normally focus on undertaking oversight *ex ante*, while Supreme Audit Institutions have an *ex post* focus.

#### **Box 4. Roles of subnational IFIs in the OECD**

##### **The Scottish Fiscal Commission**

The Scottish Fiscal Commission (SFC) was established in June 2014 to scrutinise the government's devolved tax forecasts. In 2017, the SFC also became responsible for producing the official tax, GDP and social security expenditure forecasts. The SFC is now one of only a small number of OECD IFIs that have responsibility for producing official, independent macroeconomic and fiscal forecasts (others include the UK Office for Budget Responsibility and the Netherlands CPB). The SFC is also responsible for assessing the reasonableness of Scottish Ministers' borrowing projections. Unlike some other IFIs, the SFC does not have a role in relation to policy costing, or monitoring compliance with fiscal rules, and is not required to assess fiscal sustainability.

*Source:* The Scottish Fiscal Commission 2019

##### **The Fiscal Accountability Office of Ontario**

The Financial Accountability Office (FAO) was established in 2013 to provide independent analysis on the state of the Province's finances, trends in the provincial economy and related matters important to the Legislative Assembly of Ontario.

The FAO produces independent analysis on the initiative of the Financial Accountability Officer. Upon request from a member or committee of the Assembly, the Officer may also direct the FAO to undertake research to estimate the financial costs or financial benefits to the Province of any bill or other proposal over which the Legislature has jurisdiction.

*Source:* The Fiscal Accountability Office of Ontario 2019

##### **The California Legislative Analyst's Office**

The Legislative Analyst's Office (LAO) was established in 1941 to provide analysis and nonpartisan advice and recommendations to the California Legislature on fiscal and policy issues. The LAO also performs the following functions:

- Review of budget changes: the LAO reviews requests by the administration to make changes to the budget after it is enacted. These reviews are used by members of the Joint Legislative Budget Committee and the fiscal committees.
- Cost estimates: the office estimates the fiscal effect of all proposed initiatives (prior to circulation) on state and local government and prepares analyses of all measures that qualify for the statewide ballot.
- Fiscal forecasting: the LAO forecasts the state revenues and expenditures.
- Briefing on public finance: throughout the year, the office prepares special reports on the state budget and topics of interest to the Legislature.

*Source:* California Legislative Analyst's Office 2019

### 3.4 Summary

The Victorian PBOs mandate is clearly defined in higher-level legislation, as recommended by the OECD Principles. However, its legislation is silent on the PBO undertaking work at its own initiative, which underpins its ability to achieve its legislated objective of informing parliamentary debate and public awareness. To strengthen its independence and align with international norms, the PBO's legislation should specifically include provisions for it to undertake work at its own initiative.

Furthermore, the institution has a relatively narrow mandate and lacks functions that help support the legislative oversight of the budget process. To better align with the OECD Principles; consideration should be given to expanding the PBO's mandate to include oversight functions relating to the budget process. In the first instance, giving the PBO the mandate to provide briefing on the economy and public finance, analysis of the executive's budget proposal and support for parliamentary committees (such as PAEC) would help align it with peer institutions. There may also be other ways in which the PBO can strengthen fiscal oversight in the Victorian context, for example, through providing an independent assessment of the extent to which budget proposals comply with the principles for sound financial management, set out in the *Financial Management Act 1994* (Victoria). Expansion of the Victorian PBO's mandate would not be unusual in an international context. Box 5 provides examples of cases where other IFI mandates have developed over time.

#### Box 5. Evolving mandates of IFIs

The mandates of IFIs may evolve over time as an institution establishes a reputation for delivering independent analysis and the budgetary oversight needs of a country change. This is true even for very young institutions. For example, in April 2013, the **Irish Fiscal Advisory Council** was assigned a new role in endorsing the Department of Finance's macroeconomic forecasts. For others, discussions about potential changes are under way, such as the proposal to have the **Australian PBO** prepare annual medium-term (ten-year) budget projections. The **Korean NABO** had its mandate revised in 2014 to give it a strengthened role in the costing of legislation. NABO now has sole authority to prepare cost estimates for bills introduced by members. Some of the older institutions have taken on a new role in monitoring compliance with fiscal rules (e.g. **Austria** and **Denmark**).

Source: von Trapp 2016

Finally, given the original intention of establishing the Victorian PBO was to level the playing field for election costings, it would be preferable for the Victorian PBO to provide the costings for all parties.

## 4. Resources

### 4.1 Resources commensurate with mandate

The OECD Principles state that the resources allocated to IFIs must be commensurate with their mandate in order for them to fulfil it in a credible manner. The process for deciding the Victorian PBO's budget is not set out in legislation, but the PBO is required to conform to the budget process for government agencies, managed by the DTF in accordance with

the *Financial Management Act 1994*. The Act, however, does provide for PAEC to review the PBO's operational and resourcing arrangements, including reviewing its draft budget.

For its first year of existence, the Victorian PBO has had an operating budget of AUD 3.3 million (approximately USD 2.3 million) for 2018-2019, providing for fourteen full time positions. Of note, resource levels differ from what was originally anticipated when the PBO was first established as provisions were not made for corporate support costs. As a result, the PBO requested and received additional funding for its first year of operation.

Current levels of resourcing classify the Victorian PBO amongst the smaller OECD PBOs, as shown in Table 4. This is perhaps unsurprising given that it is a subnational institution and has a more limited mandate relative to other OECD PBOs (as discussed in Section 3.3). However, it should also be borne in mind that policy costing is one of the most resource intensive PBO functions.

**Table 4. Budget and staffing in OECD PBOs (in order of budget)**

Country	Institution name	Year	Budget (USD)	Staffing (FTE)
US	Congressional Budget Office (CBO)	2016	46.5 million	235
Korea	National Assembly Budget Office (NABO)	2017	13.1 million	138
Italy	Parliamentary Budget Office (PBO)	2017	7.1 million	27
Canada	Parliamentary Budget Office (PBO)	2019	5.4 million	41
Australia	Parliamentary Budget Office (PBO)	2017	5.1 million	40
Mexico	Center for Public Finance Studies (CEFP)	2016	2.7 million	60
Victoria	Parliamentary Budget Office (PBO)	2018	2.3 million	14
Austria	Parliamentary Budget Office (PBO)	2017	1.1 million	8
Ireland	Parliamentary Budget Office (PBO)	2018	1.0 million	12
Greece	Parliamentary Budget Office (PBO)	2017	0.6 million	16

*Note:* National currency converted into US dollars as of September 2018.

*Source:* OECD 2019

Estimates for forthcoming years indicate that the PBO's funding will not be indexed to inflation, in line with the standard approach for any government initiative or program in Victoria. Given annual salary increases mandated by government, and the likely inflation of support costs over time, this will have the effect of reducing the number of staff that the PBO is able to hire. The PBO's funding does not take into account the potential rise in demand for PBO services.

It is evident that the legislative framework for the Victorian PBO does not provide for its budget to be set in a way that ensures it has sufficient resources to deliver its mandate. This situation for the Victorian PBO contrasts with good practices established across a number of OECD countries where there are legislative protections for IFI budgets (see Box 6).

#### **Box 6. Legislative protections for IFIs' budgets**

Certain legislative protections can be put in place regarding IFI budgets.

Legislation for the **Portuguese Public Finance Council** (CFP) provides for the financial independence of the CFP and its capacity to fulfil its mission are guaranteed through state budget appropriations, which can "only be reduced in duly justified exceptional circumstances" (statutes, article 27[3]).

Some institutions have their funding levels set out in legislation. For example, the budget of the **Irish Fiscal Advisory Council** is guaranteed under the Fiscal Responsibility Act (2012) and is paid directly out of the state's central fund, similar to independent institutions such as the judiciary and the parliament. Its funding is not subject to annual authorisation through the budget process and so new legislation would be required to modify or withdraw funding, affording it a very high level of protection and multi-annual stability.

Legislative provisions for some IFIs, such as the **Austrian Fiscal Advisory Council** and the **Slovak Council for Budget Responsibility** (CBR), set out that the institutions should receive their financing via the central bank. The CBR, for example, has a budget line within the central bank budget and the government automatically reimburses that specific item to the central bank.

For institutions with a parliamentary budget office model, legislative provisions typically set out that their funding is appropriated as part of the budget of the legislature and thus independently from the national budget. For example, the budget of the **Korean National Assembly Budget Office** (NABO) is part of the overall budget of the National Assembly, which is appropriated independently in the national budget. NABO prepares its budget proposal which is examined and approved by the National Assembly's House Steering Committee. The Speaker transmits the National Assembly budget to the Ministry of Strategy and Finance, but only for consolidation purposes.

*Source: OECD 2017*

#### *4.2 Resources protected from political pressure*

The OECD Principles state that “the appropriations for IFIs should be published and treated in the same manner as the budgets of independent bodies, such as audit offices, in order to ensure their independence” (OECD Principle 4.1). Although the PBO is an administrative office of the Parliament and has its own budget line<sup>10</sup>, its budget process is managed by the DTF. Like other government agencies, the PBO is required to provide “output measures” to the DTF to justify budget bids.

This budget approval process gives rise to concerns about the latitude that the government has to reduce the PBO's annual budget, hence potentially impacting on the PBO's independence or putting the PBO under political pressure. This contrasts with the situation for other independent agencies, such as the Victorian Auditor-General's Office. The Auditor-General's budget for each financial year is not determined by the DTF, but instead it is determined in consultation with the PAEC (Audit Act 1994, Section 7D). Legislative changes could better protect the PBO's budget from political pressure, in line with the OECD Principles. For example, provisions could stipulate that the PBO's budget is determined in consultation with PAEC, taking into account the PBO's operational plan.

#### *4.3 Multiannual funding commitments*

OECD Principle 4.1 also states that “Multiannual funding commitments may further enhance IFIs independence and provide additional protection from political pressure.” At present, the Victorian PBO has some foresight on its future funding. The public sector annual budget process identifies budget values for the next financial year and estimates for

<sup>10</sup> [https://www.dtf.vic.gov.au/sites/default/files/2018-05/2018-19%20State%20Budget%20-%20Service%20Delivery\\_0.pdf](https://www.dtf.vic.gov.au/sites/default/files/2018-05/2018-19%20State%20Budget%20-%20Service%20Delivery_0.pdf)



the following three years – hence, for four years in total. These figures are updated as part of the annual budget process managed by the DTF.

A key issue for the Victorian PBO is that its budgetary needs will fluctuate according to whether or not it is an election year. There are no legal provisions for the Victorian PBO's budget to increase in these years, when its workload increases significantly, as is the case in other IFIs with election costing functions. For example, the enabling legislation for the Australian PBO states that "Consideration must be given to increasing the appropriations in a year in which there is an election for the House or the Senate" (Parliamentary Budget Office Act 2011, Part 4, Section 32 (5)). It receives an additional appropriation of approximately AUD 0.5 million in election years, as shown in Table 5. Similar provisions should be in place for the Victorian PBO.

**Table 5. Appropriations for the Australian PBO, AUD 000's**

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Annual appropriation plus any drawdown	6,191	7,774	7,013	7,230	8,249	7,541	7,515	7,751	7,912
<b>Election year appropriation</b>		<b>500</b>		<b>489</b>			<b>485</b>		
Total appropriation for year	6,191	8,274	7,013	7,719	8,249	7,541	8,000	7,751	7,912

Source: Watt and Anderson (2017)

#### 4.4 Summary

The Victorian PBO had sufficient resources to set-up and deliver its functions during its first year. However, the PBO's budget is subject to the budget process for government agencies, and is not protected from political pressure. Indeed, forward estimates show that the PBO's budget will not be indexed with inflation, and in the context of rising staff and support costs, the PBO faces a declining budget in real terms. This, together with the lack of assurance that the PBO's resources will be increased during election years, gives rise to questions about the extent to which the legislation ensures that the PBO's resourcing will continue to be commensurate with its mandate in future years.

Changes to the legislative framework could ensure that the resources allocated to the Victorian PBO are commensurate with its mandate, in line with the OECD Principles. For example, legislation could provide for the PBO's budget to be determined in consultation with PAEC, taking into account the PBO's operational plan, similar to other independent bodies. There should also be provisions that guarantee that the PBO has additional funding during election years.

## 5. Relationship with the legislature

### 5.1 Accountability to the legislature

Regardless of whether an IFI is under the statutory authority of the legislative or the executive branch, mechanisms should be put in place to encourage appropriate accountability to the legislature (OECD Principle 5.1). According to the OECD Principles, these may include:

1. Submission of IFI reports to parliament in time to contribute to relevant legislative debate;



2. Appearance of IFI leadership or senior staff before the budget committee to provide responses to parliamentary questions;
3. Parliamentary scrutiny of the IFI budget; and
4. A role for parliament's budget committee in IFI leadership appointments and dismissals.

The Victorian PBO has almost all of these mechanisms for parliamentary oversight set out in its legislation, as per section 54 of the Act. Specifically, the PAEC has functions to (a) recommend to the Minister the appointment and terms and conditions of appointment of the Parliamentary Budget Officer; (b) review the operational and resourcing arrangements for the Parliamentary Budget Officer; (c) consult the Parliamentary Budget Officer on an operational plan; (d) review reports of PBO operations and annual reports; (e) review and assess how well the Parliamentary Budget Officer's functions are being performed; and (f) report to both Houses of the Parliament on any matter connected with the operational and resourcing arrangements for the Parliamentary Budget Officer that requires the attention of Parliament.

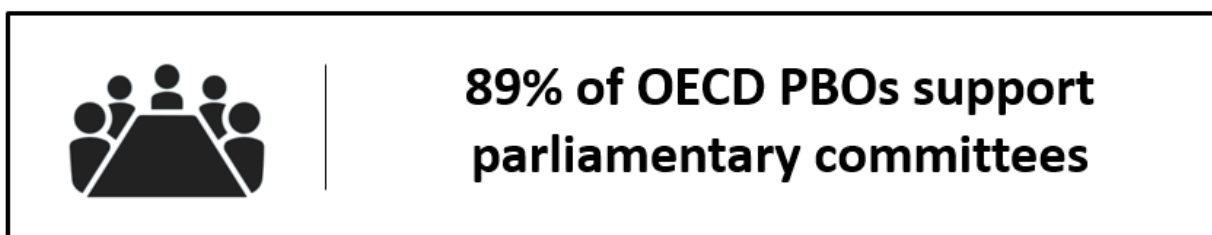
However, a key gap for the PBO in terms of accountability to the legislature is that the Parliamentary Budget Officer is not mandated to appear before the Budget Committee (PAEC) to provide responses to parliamentary questions.

### ***5.2 Role of the PBO vis-à-vis parliament's budget committee***

The OECD Principles state that "The role of the IFI vis-à-vis parliament's budget committee (or equivalent), other committees, and individual members in terms of requests for analysis should be clearly established in legislation. Preferably, the IFI should consider requests from committees and sub-committees rather than individual members or political parties." (Principle 5.2). This serves in part to make the workload more predictable, allowing the IFI to prioritise requests with cross-party support that contribute directly to the parliamentary debate.

Although the PBO is not mandated to assist parliamentary committees, nothing in the PBO's legislation prevents a member of parliament from requesting advice or costings from the PBO and then presenting it in a parliamentary committee. There is the possibility for multiple requests for similar costings/advice, which under current protocols would only enable the PBO to provide its independent response to one member. This may in practice work against greater transparency, particularly if one member uses the response, but does not share it with other committee members.

Under section 47 of the Act, the functions of the Victorian Parliamentary Budget Officer do not extend to providing any analysis, advice or briefing to assist a committee of parliament. This legislative prohibition to support parliamentary committees makes the Victorian PBO an outlier amongst OECD PBOs, as illustrated in Figure 4.

**Figure 4. Percentage of OECD PBOs that support parliamentary committees**

Source: OECD 2019

Indeed, this function is found across all other OECD PBOs (Australia, Austria, Canada, Greece, Italy, Korea, Mexico and the United States). Support may include tasks such as providing comprehensive analysis of the government’s budget proposals (Canada, Korea, Mexico, Netherlands, and United States), and supporting parliamentary committee inquiries (Australia, Canada, Italy, Korea, Mexico, United States). The Australian PBO also undertakes confidential budget analysis for parliamentary groups and individual parliamentarians.

### 5.3 Summary

In line with the OECD Principles, there are a number of arrangements in place to ensure that the Victorian PBO has accountability to the legislature. For example, legislation provides for the parliament to have a role in leadership appointment and in approving the budget of the institution. However, the Victorian PBO is not mandated to appear before the PAEC and does not have a role in supporting the work of parliamentary committees, making it an outlier among peer institutions. To better align to the OECD Principles, and in line with discussion in Section 3.3, the PBOs functions could be expanded to include the provision of support to parliamentary committees, including PAEC.

## 6. Access to information

### 6.1 Access to information guaranteed in legislation

There is often asymmetry of information between the government and the IFI, regardless of how well resourced an IFI is. According to the OECD Principles, “this creates a special duty to guarantee in legislation – and if necessary to reaffirm through protocols or memoranda of understanding – that the IFI has full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals” (OECD Principle 6.1).

The Act provides for the Victorian PBO to obtain information or documents from public sector bodies. Specifically, the PBO has a legal right to “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”, set out in section 25 of the Act. The PBO also has a legal right to directly request information and documents where no arrangements exist, set out in section 26 of the Act.

Despite these legal provisions, the PBO had challenges in accessing information and documents required to deliver its functions during its first phase of operation. Non-compliance with information requests and legislated timeframes by the public sector has

been commonplace. The PBO issued 287 information requests to public sector bodies for its election costing period, where:

- 44% were responded to by the due date;
- 38% were responded to outside of the due date; and
- 18% were not been responded to.

When the PBO was not provided with the information and documents requested, the PBO followed up with the public sector body Head on the request to note that it was outstanding. The PBO also tried to identify if there was another way to reliably deliver the output without the information from the Victorian public sector. Where this could not be done, the PBO continued to follow-up for a response.

There is no consequence within the legislation to public sector body Heads for non-compliance to information requests by the PBO.

Where the PBO has received information or documents, the quality of responses has also been a key issue. In particular, the PBO has found that it receives a limited or partial response, or a response in a format that requires further work or ‘hides’ the source information or documents, the methodology or assumptions. In the latter case, data may be received as a PDF document or as an image that needs to be input into a spreadsheet. Likewise, information may be received about economic model outputs without the provision of the underlying model itself.

Some challenges regarding access to information seem to be resulting from the fact that the Act as it currently stands does not contain a clear definition of the “information and documents” that the PBO has a legal right to access. While the PBO interprets this term in line with the Victorian Information Commissioner, some public sector bodies have interpreted it more narrowly. This narrow interpretation has resulted in PBO having to devote resources to recreating public sector information models, creating delay and extra demands on PBO resources.

A further challenge relates to the procedural arrangements around access to information being applied inconsistently across government departments. The Act requires information requests to be channelled through public sector body heads, and to be completed within three business days. As part of unsuccessful negotiation of arrangements as per section 25 of the Act, DTF (on behalf of the Victorian Board of Secretaries) proposed that information requests be centralised through ‘portfolio department heads’, instead of ‘public sector body heads’ as defined in legislation.

## ***6.2 Restrictions on access to information***

OECD Principle 6.2 states that any restrictions in place in relation to access to information should be clearly defined. Section 26 of the Act provides the ability for public sector body heads to not respond to information requests from the Victorian PBO if they are deemed “not practicable”. The PBO has found that this restriction is being utilised extensively by government departments. The Spanish IFI AIREf faced a similar situation, described in Box 7.

**Box 7. AIREF: restrictions on access to information**

AIREF's access to information rights are enshrined in Article 4 of its organic law which states that: "economic-financial information concerning the Public Administrations shall be made available to the Authority".

Subsequent legislation, the Royal Decree 215/2014 and Ministerial Order HEP/1287/2015, set out restrictions on AIREF's access, allowing for refusal of information considered as "auxiliary" or "supporting". However, details of what constituted "auxiliary" or "supporting" were perceived by stakeholders as unclear or open to interpretation. In practice, AIREF reported recurrent difficulties accessing the information it needed to deliver its mandate, with information requests frequently denied on the basis that the information was "auxiliary" or "supporting".

To help, the Spanish Council for Transparency and Good Governance released some additional criteria for assessing whether information could be considered as coming within these categories, including whether it: contains personal opinions of the author that are not representative of the position of the organisation or entity; preliminary texts or drafts before a final decision has been taken; preparatory information for an activity by the organisation or entity; internal communications not part of procedural steps; and non-mandatory reports that were not used in decision-making.

However, AIREF continued to experience difficulties accessing information and so took the hard decision to file a legal challenge against the central government. The legal challenge sought to repeal or amend the provisions in Royal Decree 215/2014 and Ministerial Order HEP/1287/2015 as violating the access to information provisions in its Organic Law 6/2013. An OECD Review of AIREF brought further attention to this situation. In response, the Spanish Government adapted the Royal Decree to remove the clauses relating to "auxiliary" or "supporting" information.

*Source:* OECD (2017)

A further issue is that the Victorian PBO has experienced government departments classifying information as "confidential" – which places reporting restrictions on the PBO – even though the information is already available in the public domain or not confidential in nature.

Clearer clarification of access to information restrictions for the Victorian PBO, or their removal, help prevent their widespread use (or abuse). Examples of OECD IFIs with access to information provisions that have no, or limited, restrictions, are provided in Box 8.

**Box 8. Examples of access to information provisions with no, or limited, restrictions****UK Office for Budget Responsibility (OBR)**

The UK OBR has access to information provisions set out in Section 9 of the Budget Responsibility and National Audit Act 2011. The provisions state that the OBR has "a right of access (at any reasonable time) to all government information which it may reasonably require for the purpose of the performance of its duty". The legislation clarifies that "government information" means information held by any Minister of the

Crown or government department. There are no restrictions to the OBR's right to information.

*Source:* UK Budget Responsibility and National Audit Act 2011

### **US Congressional Budget Office (CBO)**

The US CBO has access to information provisions set out in its enabling legislation, the Congressional Budget and Impoundment Act, 1974. It is stated that the CBO Director is authorised to secure information, data, estimates, and statistics directly from the various departments, agencies, and establishments of the executive branch of government and the regulatory agencies and commissions of the government. All such departments, agencies, establishments, and regulatory agencies and commissions shall furnish the Director any available material which he determines to be necessary in the performance of his duties and functions. The only restriction is access material for which disclosure would be a violation of law.

*Source:* US Congressional Budget and Impoundment Act 1974

At present, the only recourse provided by the legislation for the Victorian PBO when faced with breached requests for information and documents is to make the PAEC aware and to report these issues in their annual report, as per section 28 of the Act. Additional legislative mechanisms could be considered in order to make that procedure more effective. Examples of recourse measures that some OECD IFIs have in their legislation to deal with access to information difficulties are detailed in Box 9.

### **Box 9. Examples of recourse measures to deal with access to information difficulties**

#### **New South Wales Parliamentary Budget Office**

Section 16 of the New South Wales Parliamentary Budget Officer Act provides the PBO with the power to impose penalties on agencies who do not provide information within the 10 day timeframe. The timeframe reduces to 6 days one month before the election, when the PBO goes into what is known as "caretaker" mode. Before the 2014 election, the PBO had 51 requests out of over 476 go over the 10 day period (11%), before the 2019 election, the PBO had 41 requests out of 436 go over the 10 day period (9%). However, the PBO has not yet imposed any penalties on agencies.

*Source:* New South Wales PBO 2019

#### **Portuguese Public Finance Council**

According to its enabling legislation, the Portuguese Public Finance Council has a number of powers available to it in instances where the information is not supplied or the period taken to supply the information is unreasonable. The Council can post a notice on its website stating the nature of the information not supplied and the parties involved. It can also formally advise the Court of Audit, the Bank of Portugal, the Parliament and the President of the Republic as a last resort. The range of powers are intended to guard against political interference to disrupt the supply of information. The powers are reasonable and graduated depending on the seriousness of the situation.

*Source:* OECD 2019

A further issue relating to access to information is that there are no specific legal provisions to ensure that public sector bodies maintain confidentiality of information requests made by the PBO. This makes it difficult for the PBO to maintain the confidentiality of members requests, and ultimately deliver on its mandate to provide independent and confidential policy costings and advice.

### 6.3 Summary

The Victorian PBO has access to information codified in legislation, aligning with the OECD Principles. However, in practice, the protocols set out are not fully supported by government departments. Challenges with access to information are often particularly acute for an IFI during its early years as stakeholders adjust to a new culture of openness. In the case of the Victorian PBO, this challenge may also be exacerbated by its mandate to cost election platforms, a highly politicised area.

To improve access to information for the PBO, it is particularly important that there is improved clarity around legislative provisions set out in the Act. Specifically, there should be clearer definition of the terms “information and documents”. There should also be clearer definition, or removal, of the possibility for nil response to a request when information is “not practicable” and “confidential”. In addition, provisions to ensure that public sector bodies maintain the confidentiality of PBO information requests will help maintain the confidentiality of members’ requests.

There may also be merit in strengthening the recourse provided by the legislation for the PBO when faced with systemic breached requests for information and documents. For example, the PBO could have the power to impose penalties on stakeholders who do not provide information, similar to the New South Wales PBO.

Finally, there should be legal provisions to ensure that public sector bodies deal with the PBO’s information requests in a confidential manner. These should ensure that the PBO can deliver on its mandate to provide independent and confidential policy costings and advice to members of parliament.

## 7. Transparency

### 7.1 Acting as transparently as possible

According to the OECD Principles, given that promoting transparency in public finances is a key goal of IFIs, these institutions also have a special duty to act as transparently as possible. Indeed, “full transparency in their work and operations provides the greatest protection of IFI independence and allows them to build credibility with the public” (OECD Principle 7.1).

The reporting requirements in the Act align with this Principle as the Victorian PBO is required to publish its operational plan, its annual report, and a report of PBO operations during election costing periods, which are also subject to specific publication timescales<sup>11</sup>. The Act also requires the Parliamentary Budget Officer to publicly release the PBO protocols and each revision of them, which stands as good practice.

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<sup>11</sup> The operational plan is to be released by 30 June each year, and the annual report is to be released by 31 October each year. For advisory services which are client-initiated, there are no details or requirements in legislation for release.

## ***7.2 Publication of reports and analysis***

OECD Principle 7.2 states that “IFI reports and analysis (including a full account of the underlying data and methodology) should be published and made freely available to all”.

Although the PBO has limits on the public release of its outputs, these are necessary for it to be able to deliver its mandate of providing independent and confidential election costings. The PBO was set up in response to a local need for independent and confidential election costings. As a result, the Act sets out that the PBO must not publicly release policy costing and advisory outputs requested by members of parliament unless given permission to do so. Despite these confidentiality constraints, Section 52 of the Act specifies that the PBO may publicly release a statement if its analysis, advice or briefing is publicly misrepresented.

The PBO could take measures to encourage parliamentarians to release costings once legislation is put forward or later on if not politically too sensitive. For example, the Korean National Assembly Budget Office sometimes collects formerly confidential costings around similar themes and publishes them as a book with MPs permission. This allows members to become more comfortable with publishing and encourages more transparency.

The legislation is silent on the PBO publicly releasing self-initiated reports and analysis in its own name, despite this underpinning the PBO’s ability to fulfil its legislated objective to ‘inform policy development and public debate in Parliament and the Victorian community’. In practice, the PBO undertakes a program of public reporting to achieve this objective. If this were not the case, should members of parliament or parliamentary leaders not request the public release of any PBO analysis, the PBO would only have its post-election report – produced once every four years – legislated to achieve this objective.

## ***7.3 Summary***

The provisions in the Act ensure that the PBO acts transparently in terms of its operations. Although there are confidentiality provisions associated with policy costings and advisory outputs, the demand for independent and confidential services in this regard was one of the reasons the PBO was set up. Thus, whilst these provisions are contrary to the OECD Principle of transparency, they reflect particular local needs in line with the OECD Principle of local ownership.

A key concern is that legislation is silent on the PBO publicly releasing self-initiated reports and analysis in its own name. Making this explicit within the PBO’s legislation would help strengthen its ability to meet its objective of public awareness and debate, and help it better align with the OECD Principles.

# **8. Communications**

## ***8.1 Effective communications channels***

IFIs should develop effective communication channels from the outset, especially with the media, civil society, and other stakeholders (OECD Principle 8.1). The OECD Principles state that “given that the influence of IFIs in fiscal policy making is persuasive (rather than coercive by means of legal sanctions or other punitive measures), media coverage of their work assists in fostering informed constituencies that may then exercise timely pressure on the government to behave transparently and responsibly in fiscal matters”.



Section 4 of the Act requires the PBO to publish its reports on its website<sup>12</sup>. The PBO's legislation does not provide any restrictions on it developing a well-functioning relationship with the media.

## 9. External evaluation

### *9.1 External evaluation mechanisms*

According to the OECD Principles, IFIs should develop a mechanism for external evaluation of their work – to be conducted by local or international experts. This may take several forms: review of selected pieces of work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer review by an IFI in another country (OECD Principle 9.1).

The Act provides for one mechanism for external evaluation of the Victorian PBO's work. Section 54 states that the PAEC is mandated to review and assess how well the Parliamentary Budget Officer's functions are being performed. This could be further 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 to request an independent review of the operations of the PBO, to be completed within nine months after a general election.

There are no legislative provisions setting out that the PBO should have a permanent advisory panel or board. Across OECD IFI's this does not tend to be formalised in legislation, but is instead something set up by the IFI leadership. As it currently stands, the PBO does not have an oversight or advisory board. However, the Victorian PBO has put in place mechanisms to ensure the quality of its outputs. For example, during election periods, the PBO undertakes 'hot' reviews through quality steps (peer review, Director Review and PBO clearance). In the post-election period, the PBO will establish 'cold' reviews to identify improvements from a sample of policy costings and advisory services performed from an independent reviewer.

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<sup>12</sup> <https://www.pbo.vic.gov.au/>

## Conclusions and recommendations

The Victorian PBO was established as a permanent office in 2017 to address the need for independent and confidential election costings. Its enabling legislation is the Parliamentary Budget Officer Act 2017 (Victoria). The Act sets out provisions relating to the governance and functioning of the PBO. This Review assesses the extent to which the legislative framework for the PBO enables the institution to operate in a way that aligns with the OECD Principles for Independent Fiscal Institutions. The OECD Principles are grouped under nine broad headings: (1) local ownership; (2) independence and non-partisanship; (3) mandate; (4) resources; (5) relationship with the legislature; (6) access to information; (7) transparency; (8) communication; and (9) external evaluation.

The Review found that provisions in the PBO's legislative framework facilitate the PBO in aligning - in general terms - with the OECD Principles relating to local ownership, independence and non-partisanship, and communication. The Review finds partial alignment with the OECD principles relating to relationship with the legislature, transparency, and external evaluation. However, it found significant gaps in the legislation which prevent the PBO from effectively aligning with OECD Principles relating to mandate, resources and access to information. Specific recommendations in each of these areas are outlined below:

### 1. Mandate

- 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:** Although OECD Principle 3.2 states that IFIs should have the scope to produce reports and analysis at their own initiative, the Victorian PBO's legislation is silent in this respect. Amending the Act so that it specifically includes provisions for the PBO to undertake work at its own initiative would support the PBO in delivering its stated objective of informing policy development and public and parliamentary debate.
- Consideration should be given to expanding the PBO's mandate to include independent oversight functions relating to the budget process:** The OECD Principles state that clear links to the budget process should be established within the IFIs mandate (Principle 3.3). However, the Act provides the Victorian PBO with a relatively narrow mandate and it lacks functions linked to the budget process, which could help contribute to improved parliamentary debate and oversight. In addition, the Act prohibits the PBO from providing any analysis, advice or briefing to assist parliamentary committees. In order to bring about greater alignment with the OECD Principles, the Parliament of Victoria may wish to widen the PBO's mandate, in line with the wider roles given to PBOs across OECD countries. As part of this, the PBO could support the work of parliamentary committees, such as the PAEC.
- 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:** OECD Principle 1.2 states that "Local needs and the local institutional

environment should determine options for the role and structure of the IFI”. In line with this Principle, the PBO was given a mandate to undertake election costings to help level the playing field between the government of the day and those seeking to form government. Having a sole provider of election platform costings levels the playing field while underpinning the important role of the PBO.

## 2. Resources

- **To protect its resources from political pressure, the PBO’s budget should be determined in consultation with PAEC, taking into account the PBO’s operational plan, similar to other independent bodies:** The OECD Principles state that “the appropriations for IFIs should be published and treated in the same manner as the budgets of independent bodies, such as audit offices, in order to ensure their independence” (OECD Principle 4.1). However, the Act states that the PBO is required to conform with the budget process for government agencies, which is managed by the DTF. To better align with the OECD Principles, funding for the Victorian PBO should be determined in a similar way to other independent institutions, taking into account the demands faced by the PBO, as well as its operational needs. There should also be provisions that guarantee that the PBO is provided with additional funding to deliver its additional responsibilities during election years.

## 3. Access to information

- **To ensure that the PBO has full access to all relevant information, there should be clearer legal definition of access to information terminology in the PBO’s legislation:** The OECD Principles outline that there is “a special duty to guarantee in legislation – and if necessary to reaffirm through protocols or memoranda of understanding – that the IFI has full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals” (OECD Principle 6.1). The Act gives the Victorian PBO the legal right to access the information needed to deliver its functions. However, the PBO has experienced challenges in accessing information during its first phase of operation. The lack of a clear definition for relevant terms in the Act, such as “information and documents” has been a contributing factor. In addition, there should be clearer understanding of the circumstances where information cannot be provided because it is “not practicable” or “confidential”. Alternatively, these restrictions should be removed.
- **To enable the PBO to deliver on confidential costings and advice, provisions should ensure that public sector bodies deal with the PBO’s information requests in a confidential manner:** The PBO is mandated to provide independent and confidential policy costings and advice. Confidentiality in relation to the PBO’s information requests is thus central to the PBO being able to deliver its legal mandate.

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## **Annex A. Review team and acknowledgements**

The Review team included Scherie Nicol and Emeline Denis, both members of the OECD Secretariat's Budgeting and Public Expenditures Division in the Directorate for Public Governance. The Review team would like to thank Lisa von Trapp, Senior Policy Analyst, in the Budgeting and Public Expenditures Division, OECD, for her thoughtful comments.

The Review commenced in December 2018, and was completed in March 2019. The Review team would like to thank the Parliamentary Budget Officer and staff at the Victorian PBO for their candid discussions of all the issues during the Review process.



Parliamentary Budget Office