PARLIAMENTARY BUDGET OFFICE

Matters for consideration

A submission by the Public Policy Institute, Australian Catholic University

This submission has its origins in a paper by J. R. Nethercote entitled “The Senate – Some Modest Proposals.” It was delivered at a conference in Brisbane in April 2006 and was subsequently published with the papers from that conference in a volume, Restraining Elective Dictatorship – The Upper House Solution? (University of Western Australia Press, 2009, 103-115). The relevant parts of the text are set out in full at Attachment A.

The case

The case advocated nearly half a decade ago remains the same but, with the passage of time, with some refinement and enhancement. That case, briefly, is:

- parliamentary scrutiny of public expenditure is weak and inadequate; scrutiny of revenue is largely non-existent outside a campaigning context;
- the size of public expenditure, its dynamic nature, and the major changes in formalities concerning its management and presentation for parliamentary approval all underline an urgent requirement for comprehensive briefing, general and specific, of Senators, Members of the House of Representatives and parliamentary committees;
- the foregoing services to Senators and Members of the House of Representatives should be provided by an autonomous organization with high level leadership reporting directly to the Presiding Officers. This organization should be physically located within Parliament House.

Scrutiny of public expenditure and, more generally, of the nation’s economic, financial and commercial affairs, international as well as domestic, ought to be a prominent, central and active duty of both Houses of Parliament. Historically, approval of expenditure and taxation lie at the heart of parliamentary control of executive government. Especially since the Second World War, this role has receded at least in public significance. The cause is not altogether bleak. In the more prominent jurisdictions the public audit functions have developed significantly and with that, so, too, has the role and influence of public accounts committees.

Such relatively small though not unimportant gains have been dwarfed by the struggle of parliaments the world over to find a role in macroeconomic management as that responsibility has developed in the wake of the Depression, extensively influenced by the economic thinking of John Maynard Keynes. Again, the scene is not totally bleak; in the case of the Australian Parliament, the practice of bi-annual appearances of the Governor of the Reserve Bank of Australia before the House of Representatives Standing Committee on Economics represents a small but important advance.
But, in a policy field of enormous complexity and diversity, Parliament has generally failed to keep pace even to the limited extent achieved in relation to other functions such as legislation, in terms of both statutes and of regulations, etc, or international relations, including scrutiny of treaties.

One reason that this situation has arisen is lack of adequate staff support. Creation of a parliamentary budget office will be a major step in addressing this persistent weakness in Australia’s parliamentary fabric.

There are two aspects which this Joint Select Committee needs to bear in mind in responding to its terms of reference.

The first is that, although the immediate purpose of a parliamentary budget office is to provide an adequate capacity for the Parliament to meet its responsibilities in relation to public expenditure and economic matters, it is not only Parliament which will benefit if this new body does its job well. There will be a general public benefit very much in keeping with the Parliament’s traditional information and educative roles. Although the precise structure of the Parliamentary Budget Office will be shaped by its responsibilities to Parliament, the form and nature of its contribution to public (community) discussion and debate should be borne in mind. A good deal of its work will necessarily be publicly available.

It is not that Australia is wanting in vigorous public discussion and debate about economic, financial and commercial matters. If anything, there is a surfeit of it. But nearly all the very active participants in that debate have a perceptible interest in advancing their arguments and analyses. Even government departments and authorities, apart from being limited by their specified responsibilities, are in some measure inhibited by the situation and predispositions of their ministerial superiors.

A critical contribution of a parliamentary budget office is not simply to provide parliamentarians with briefings to allow them to participate in a properly informed way in national debate but to be able to do so on the basis of analysis which is both comprehensive and impartial.

**Parliamentary Budget Office: the mandate**

It follows from these views that we believe that the Parliamentary Budget Office (PBO) should have a mandate which is wide-ranging and comprehensive. Although the focus is, as suggested by its name, the budget, the mandate should be such as to enable the PBO to range broadly over all matters affecting the budget – economic policy generally; trade and commerce (domestic and international); government revenues and expenditures; federal fiscal arrangements; infrastructure and capital works; productivity; wages, salaries and income support. (The term, “budget,” has somewhat different meanings in different jurisdictions – sometimes it mainly refers to revenue; in others, it is mainly about expenditure.)

The PBO’s basic task will be to provide parliamentarians with timely advice about the budget and matters having a bearing on the budget (however defined). It would be expected that such advice will be furnished at regular intervals. Its functions will embrace briefing the Parliament on
legislation, particularly as it concerns public revenues and expenditure, and will, as a matter of course, extend to relevant committee inquiries.

The basic principle is that the PBO should act on its own initiative but with the presumption that on any matter with a significant economic, financial or budgetary dimension, the PBO will furnish assistance in the form of issues papers, background information and briefs for hearings and investigations by committees. In addition, parliamentary office-holders and committees should be authorized to seek the advice of the PBO on matters relating to economic policy and public finance (revenues and expenditures).

In general, the PBO should not be a duplicating body. Within the context of providing parliamentarians with information and analysis, its role is essentially that of quality control. It will naturally have its own holdings of data and other information and data capabilities but it should not be expected that it will be a primary collector or supplier of information.

The question has arisen, should the PBO have responsibility for costing party policies and programs, particularly when an election is imminent. The basic answer is that this responsibility should remain where it is at present (subject to any improvements). As in other matters, the PBO, as a back-up resource, would be available to provide quality assurance.

**Organisation and funding**

This broad view of the PBO’s mandate and functions forms the foundation of our views about its place within the parliamentary organization and its funding.

There are two possible approaches. One will be based upon existing practices of parliamentary departments including the Library and the Parliamentary Research Service in serving parliamentarians individually and in committees. This approach has proven serviceable in a number of fields including legislation generally (Bills Digest) and, in some measure, foreign relations, defence and national security.

Except in the case of the Joint Committee on Public Accounts and Audit, the record in economic matters, the budget, public finance (taxation and public expenditure), industry and commerce, has not been distinguished.

Moreover, even in Westminster parliaments which have provided resources in these fields and attracted favourable professional attention, the record has not been sustained. An example may be found in expenditure studies for UK House of Commons committees during the early 1980s – much admired for a time but now barely remembered.

On the basis of several decades of history, in Canberra and elsewhere, it seems unlikely that a convincing case can be made that an effective and durable PBO could be developed within the existing models of support for the Australian Parliament, parliamentarians and parliamentary committees. Moreover, were the PBO to be located within existing organizations, it is likely that there would be considerable problems in attracting sufficiently qualified staff in the numbers required; its effectiveness could readily be limited by attrition of its funding.
The correct view should be that existing organizations have had the opportunity over many years to provide proper support for the financial and budgetary responsibilities of the Parliament and they have not acted.

The second approach, which has already had an influence in this prospective development in the Australian Parliament, is that provided by the Congressional Budget Office in Washington, DC. (It is regrettable that a forthcoming study of the CBO, Phillip Joyce (University of Maryland), *The Congressional Budget Office – Honest Numbers, Power and Policymaking*, Georgetown University Press, 2011, ISBN 978158901573, will not be available until mid-year though it would be to the committee’s advantage to try to secure access to an advance copy.)

It needs to be stressed that the CBO provides only guidance as to the approach which might be adopted here in Australia but it is not a model to emulate in detail. The CBO has a staff of more than 200 professionals (economists) and a range of functions which relate directly to handling of financial matters within the Congress of which there are no counterparts in the Australian Parliament.

The key point is that, notwithstanding the record and achievement of the Congressional Research Service, the CBO was established as an autonomous body, not part of the Congressional Research Service.

For reasons apparent in the foregoing paragraphs, a PBO in the Australian Parliament, to be effective and durable, needs to be autonomous. Although it is essential that the PBO be physically located in Parliament House, it is the relationship between the Parliament and the Auditor-General which provides a useful guide as to how the PBO might relate to the Parliament.

The Director of the PBO should report directly to the Presiding Officer and be appointed by them in manner similar to that used for heads of parliamentary departments. Appointment should be for a renewable term of seven years. Within an agreed financial allocation, which should be a fresh allocation, the PBO should be autonomous in terms of finance and staffing. Because it will not be a large organization, the PBO should attempt to out-source core administrative support activities.

The Presiding Officers would be wise to establish a small advisory committee, mainly composed of, but not limited to, committee chairs with the strongest interest in the work of the PBO, to oversee the development and activities of the PBO.

There will be considerable resistance to this general approach. Cost will be mentioned but it will not be the major consideration. Cost should not be very different whatever style of organization and relationship is adopted.

There will be argument that the CBO does not provide viable guidance because relationships in a Westminster parliament are substantially different to those in a congressional situation.

This argument is familiar in Canberra, but not flattering so. It was long employed by officers of the Department of Finance in their bids to restrict development of what was then the Audit Office with very limited financial regularity functions into the Australian National Audit Office with efficiency and value for money mandates.
To the extent that there is validity in this type of argument, it has been addressed above. The CBO is a guide; it is a necessary guide because extant methods of supporting the Australian Parliament are not sufficient for the durable establishment of a PBO.

Protocols

The terms of reference wisely seek the views of the Committee about protocols concerning non-routine work; priorities; disclosure of PBO work; and relationships with other institutions and processes.

There are already a number of protocols and practices within the Australian Parliament, including within the provenance of the Library and Research Service. Only occasionally do these protocols and practices give rise to controversies. They therefore furnish a known foundation for the new organization to build upon. It may be necessary to think about information from and relationships with businesses, private organizations and trades unions. In this connection, the workings of the now-abolished Office of the Economic Planning Advisory Council may furnish useful guidance.

In the past, for bodies of this character, access to information was a major stumbling block. Because of the great capacities of modern information technology, and much less restrictive views about availability of information, these questions are not nearly so forbidding. Nevertheless, by whatever means the PBO is established, express provision should be made for gathering and protection of information.

Method of establishment

A final matter to address is how the PBO should be established – by Act of Parliament or resolution of the two Houses. In such cases, in the interests of convenience, expedition and flexibility, preference will largely rest with resolutions of the Houses.

This, however, is not a very secure foundation. There will be a fear, affecting both recruitment and readiness of organisations to cooperate with the new body, that the PBO will be short-lived. It is not invariably the case that governments are impervious to the value of resourcing the Parliament properly – indeed, the Parliamentary Research Service was established on the initiative of the then Coalition Government during the late 1960s. But their enthusiasm is usually limited.

In current circumstances, however, balance of the argument would seem to lie with creation by means of a statute. But there will be problems. One obvious problem is time. The wheels of legislation move very slowly. In this case, there is no clear precedent legislation on which to base an Act for a Parliamentary Budget Office.

This is, therefore, a serious concern and will require, on the part of the Parliament, determination, resilience and vigilance.