



The Victorian Parliamentary Budget Office

Function and comparison

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Agenda

- Context
- PBOs around the world
- The Victorian PBO
- PBOs across Australia
- Challenges for PBOs

Context

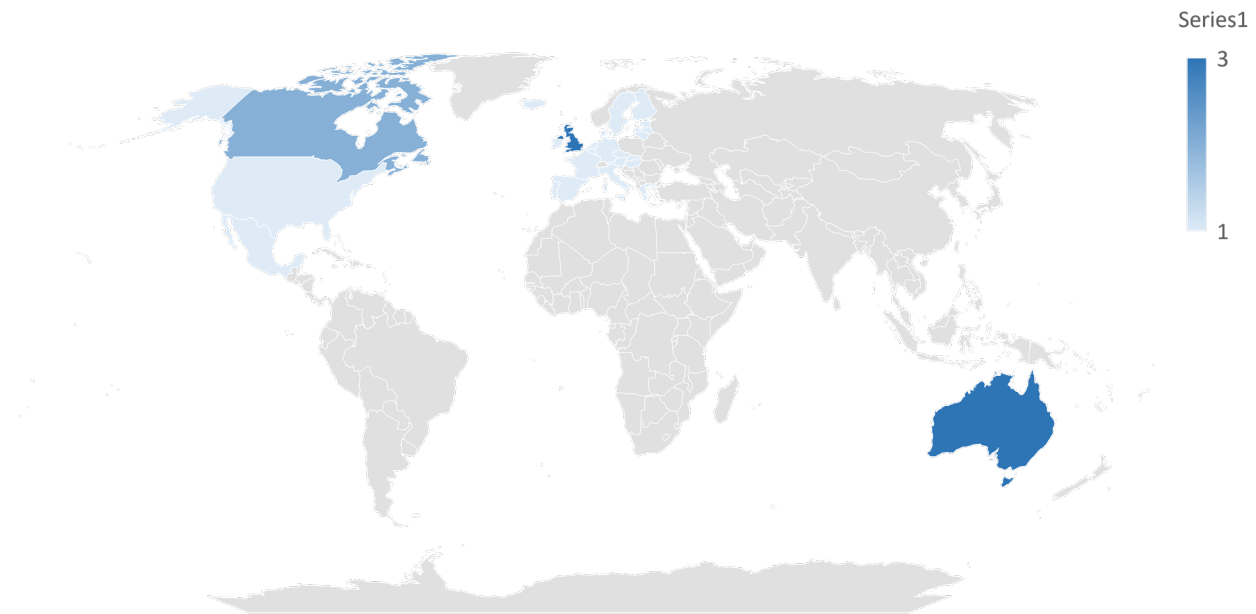
“Independent fiscal institutions (IFIs) are independent public institutions with a mandate to critically assess, and in some cases provide non-partisan advice on, fiscal policy and performance.”

– OECD 2023

In 2023, there were 41 OECD IFIs.

- 35 national offices
- 5 sub-national offices
- 1 regional office
- more IFIs outside the OECD.

PBOs and IFIs - OECD countries



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Context

IFIs provide diverse services to achieve a range of objectives. The OECD identifies 8 principles for all IFIs that reflect the broad nature of objectives.

Few, if any, IFIs fully implement all these principles.

Constrained scope may be appropriate where:

- the establishing entity (parliament) is seeking to solve a specific 'local problem'
- one or more of these principles is the responsibility of an existing IFI or other independent body
- there are legislative or other restrictions on the scope of functions for an IFI.



Parliamentary Budget Offices

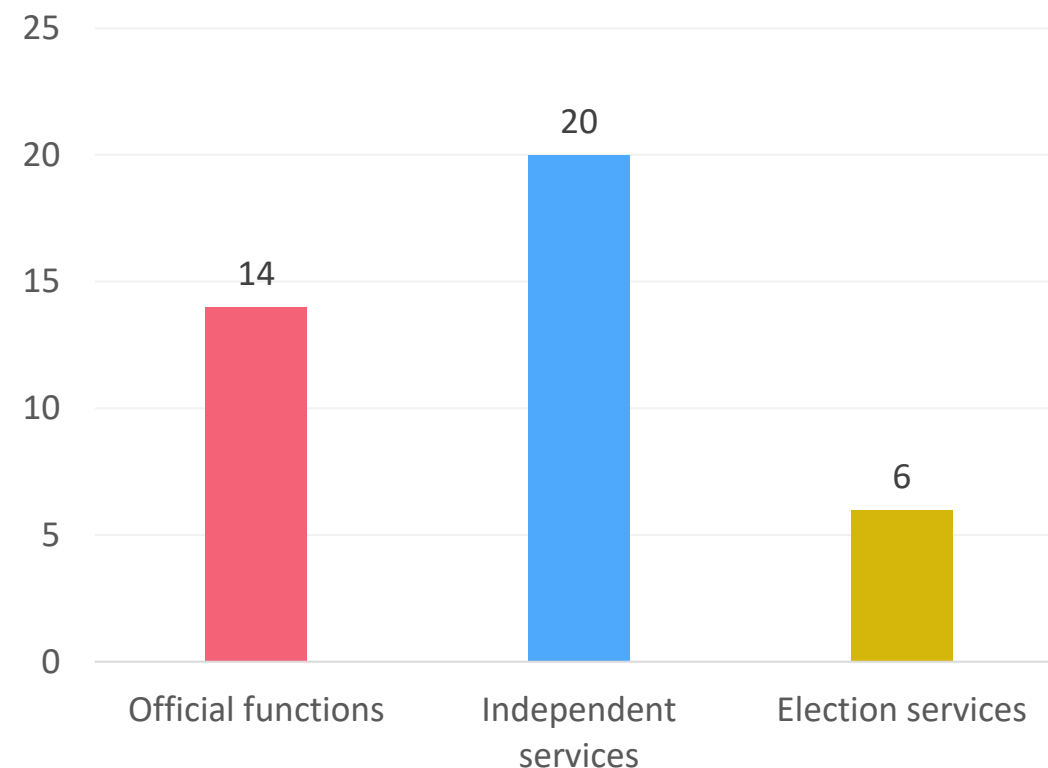
Parliamentary Budget Offices (PBOs) are a sub-set of IFIs typically including or centred on a policy costing service.

In 2023, there were 22 OECD IFIs which provided a policy costing service.

- 18 national offices
- 4 sub-national offices

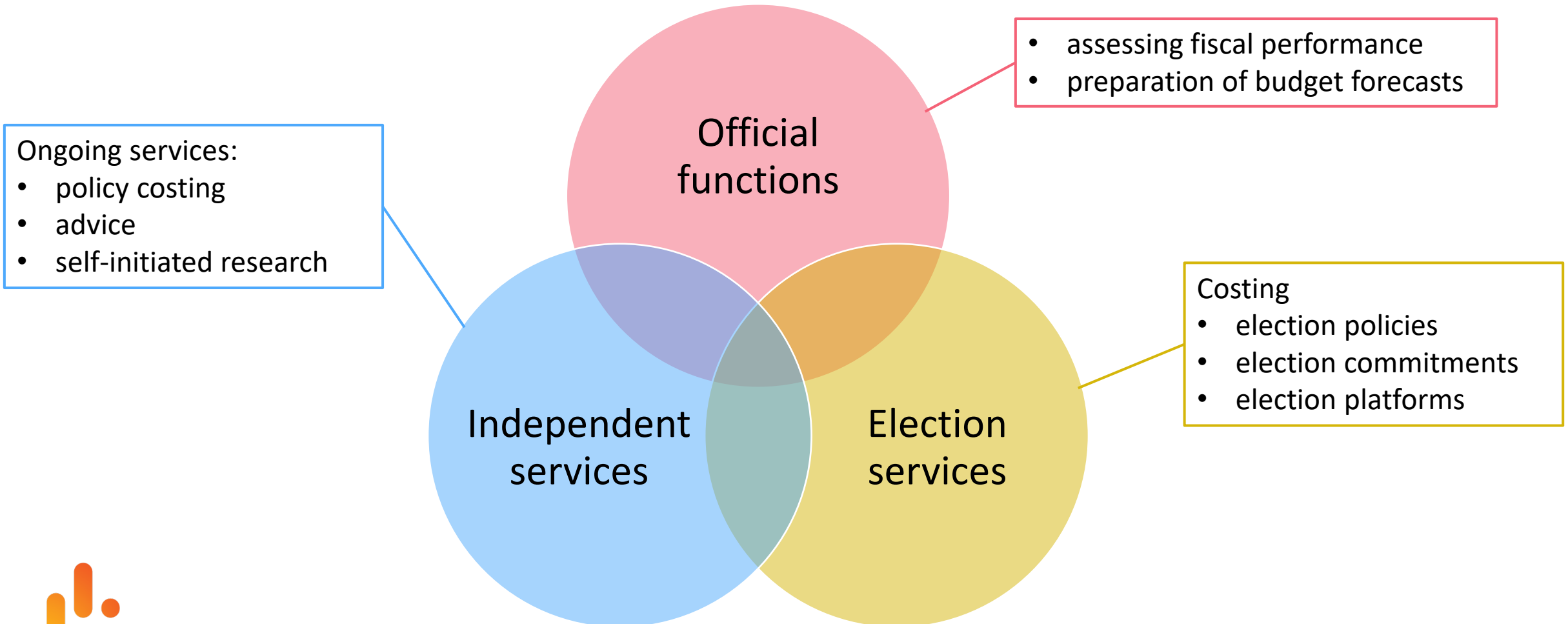
PBOs do wide ranging work

- Official functions
- Independent service
- Election service



Parliamentary Budget Offices

PBOs functions and services are shaped by the local problem they solve.



The Victorian PBO – our objectives

Informing policy choices through trusted fiscal, economic and financial advice



Relevant and valuable

The PBO will provide members of parliament

...ongoing, authoritative, independent and credible policy costings and advice



Client focussed

The PBO will provide these services

... in a timely, relevant and readily understandable manner



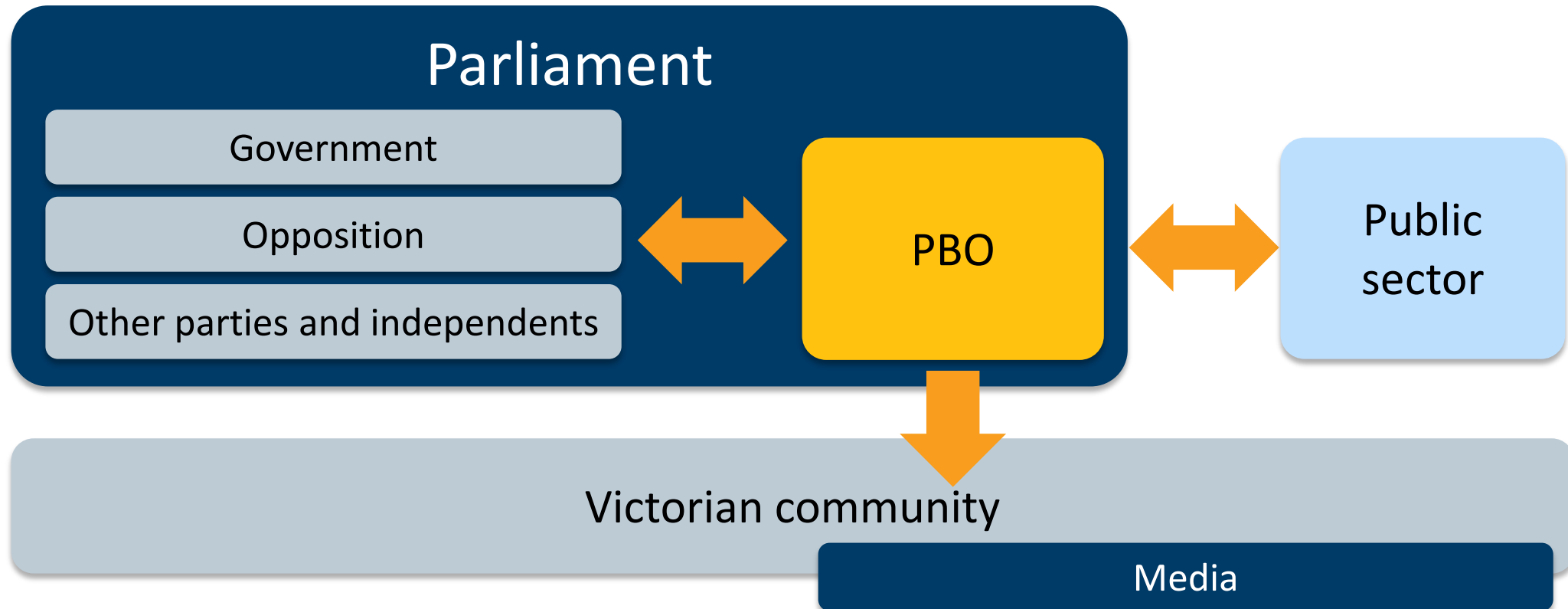
Informative and influential

Through these services the PBO will

... inform policy development and public debate in Parliament and the Victorian community

The Victorian PBO – our operating environment

The PBO is truly independent but works with a broad range of stakeholders



The Victorian PBO – our services

Our services



Policy costings

Prepare high quality policy costings members of parliament

Build and maintain budget and economic models



Advice

Prepare on demand research and analysis reports and inquiry submissions

Reports must be economic, fiscal or financial in nature.



Election services

Offer a confidential costing service during elections

Track election commitments

Prepare pre-election reports

Prepare post-election reports

The Victorian PBO – our influence

We deliver on our objective to inform parliament and the community through our publications

Policy costings

Members routinely publish costings to support their policy announcements.

PBO policy costings add credibility, authority and independence to the cost of a proposed policy

Research and analysis

Members routinely publish these reports to draw attention to an issue or to prompt public discourse

These frequently result in ongoing citation of the PBO and public discussion relying on our estimates

Inquiry submissions

These are automatically published by the committee if accepted as submissions.

Our submissions have consistently heavily informed the committee inquiry reports.

The Victorian PBO – our influence

E-cigarettes in Victoria

Analysis

- Value of e-cigarette market
- Current and planned reforms
- Regulatory costs
- Impacts from legalisation

Impact

- Discussion in parliament
- Print, television and radio media attention
- Published in May 2024, still being cited

“Analysis from Victoria’s independent Parliamentary Budget Office found that legalising and regulating vapes would potentially remove their illegal market but was unlikely to drive down illegal cigarette sales.”

The Age 18 June 2024

“The Parliamentary Budget Office estimated that the ... statewide market for vapes is something in the order of \$500 million”

ABC 18 February 2025

The Victorian PBO – our influence

Local government funding inquiry

Analysis

- Council services and costs
- Council funding
- Vertical fiscal imbalance
- Horizontal fiscal imbalance

Impact

- Published on committee and PBO websites
- Extensively cited in committee report



Legislative Council
Economy and
Infrastructure Committee

Local government funding and

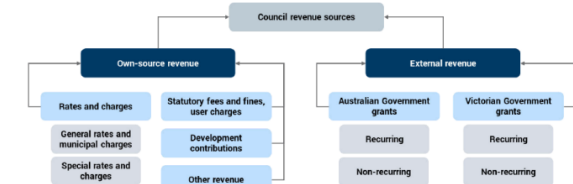
Inquiry
November 2024

2.4 Sources of council revenue

In 2022–23, Victorian councils received \$13.636 billion through a mix of revenue that they raised themselves (own-source revenue) and transfers from other levels of government (external revenue).²⁹

Figure 2.4 divides the sources of council revenue into own source revenue and external revenue.

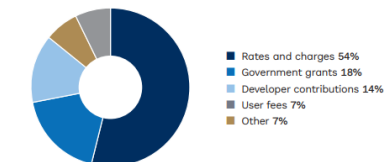
Figure 2.4 Sources of council revenue



Source: Parliamentary Budget Office, *Submission 107*, p. 19.

Rates and government grants are councils' primary revenue sources. Councils may also raise funds by charging for the use of council facilities such as leisure and aquatic centres. Other revenue sources include borrowings, fines, asset sales, and interest earned on investments.

Figure 2.5 Breakdown of council revenue and income by category, 2022–23

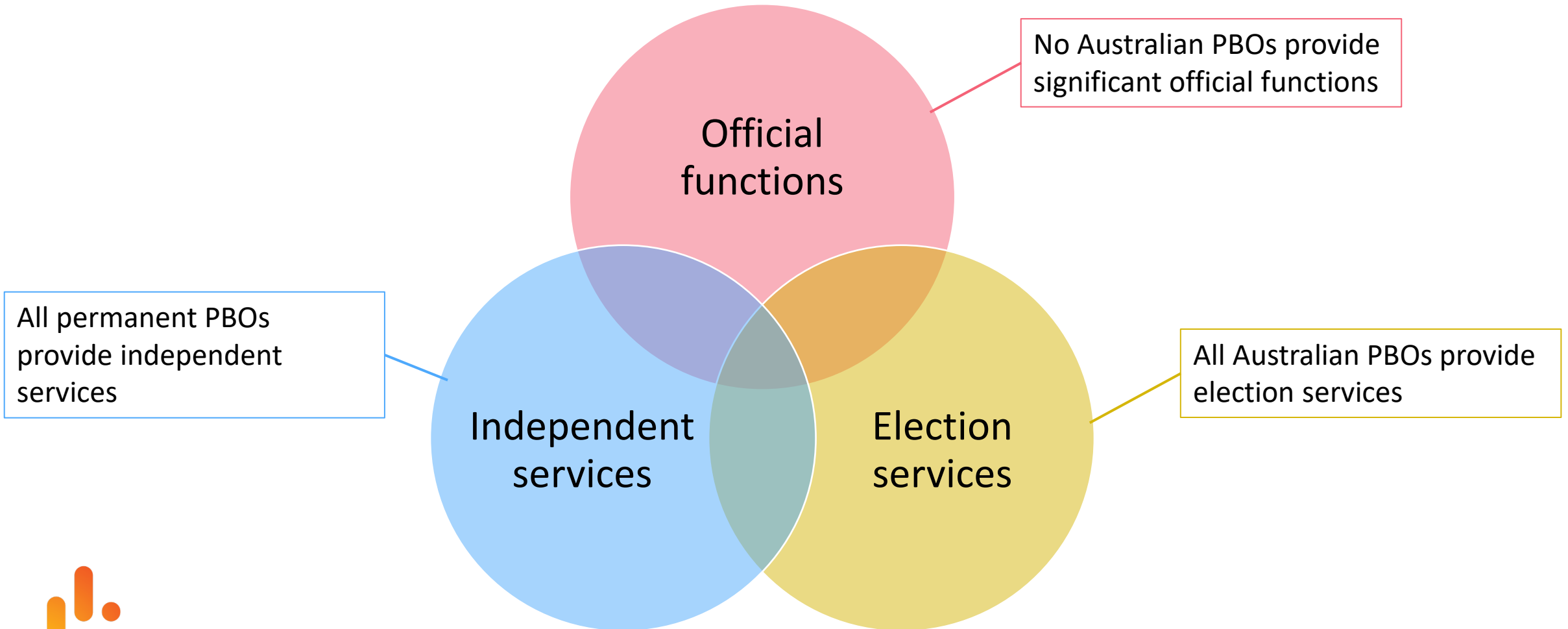


Source: Victorian Auditor General's Office, *Results of 2022–23 Audits: Local Government*, dashboard data, <<https://www.audit.vic.gov.au/report/results-2022-23-audits-local-government>> accessed 7 March 2023.

According to the Parliamentary Budget Office, since 2016–17, total revenue has grown by an average of 4.6% per year and reached \$13.9 billion in 2022–23. This contrasts

Australian PBOs

Australian PBO services largely fall into a subset of the potential services



Australian Parliamentary Budget Offices

There is no common set of services across Australian PBOs

Independent services

Victorian PBO produces

- costings or budget analysis at any time
- research and analysis reports
- submissions to parliamentary committees
- foundational analysis

Commonwealth PBO produces

- costings or budget analysis at any time
- self-initiated research and analysis reports

Election services

Victorian and NSW PBO prepare reports aggregating the impact of party election platforms before an election.

- Victoria's service is broad but voluntary
- NSW service has strict timeframes and participation

Victorian and Commonwealth PBO prepare reports aggregating the impact of party election commitments after an election.

Proposed changes

In 2021 the Public Accounts and Estimate Committee reviewed the functions of the Victorian PBO. Although not adopted by government it made recommendations including:

- A self-initiated research function for the Victorian PBO
- Mandated assessment of the Budget and budget policies
- Improved financial independence and certainty for the PBO

Challenges for new PBOs

While PBOs functions and mandates vary, many face a familiar set of challenges.

Reputation

PBOs face a substantial challenge to establish and maintain their reputation for independence and expertise.

These can be achieved

- Prophylactically
- Reactively

Rival services

Particularly acute for election services

Multiple service providers necessarily reduces comparability of cost estimates and other analysis

Weakens effect on transparency and informing the public

Access to information

Public sector bodies are a vital source of information however PBOs commonly face access challenges.

Mandate and buy-in can help to minimise this risk.

Capacity

PBOs functions are extremely broad demand for services frequently outstrips funded capacity.

Relevance

Every PBO is established to solve a 'local problem'.

This problem may change over time

Regular review of the legislation generally, and the functions and objectives of the Act can ensure an office that remains relevant.