



Part 2

Performance reporting

Achievements and challenges

As highlighted earlier, the key priorities for the Parliamentary Budget Office in its first year of operations were:

- to build the new organisation to a fully operational footing
- to gain the trust of Parliament so that the PBO is regarded as a valued source of budget and fiscal policy analyses and policy costing.

The achievement of these priorities presented challenges in balancing the effort required to build the PBO's capability against the need to commence supporting Senators and Members as soon as possible. An overview of these challenges is included below, and they are treated in more detail in the next section, 'Our first year's work'.

Building the new organisation

Achievements and challenges involved:

- developing governance arrangements for the PBO
- enhancing the legislation for the PBO and Parliamentary Service
- arranging interim accommodation in Parliament House while commencing work on the PBO's permanent Parliament House office accommodation
- overseeing the development of a secure information technology network
- undertaking recruitment and developing and implementing financial and human resources policies for the PBO
- establishing a shared service agreement with the Department of Parliamentary Services for the provision of corporate services to the PBO, including financial, human resources, procurement, information management and information technology services.

The PBO also accessed payroll services from the Department of the House of Representatives through existing arrangements that the department had in place with the Department of Parliamentary Services.

Building our analytical and research capability

Achievements and challenges involved:

- developing the self-initiated work program including:
 - providing estimates of the structural budget balance of the Australian Government
 - constructing consistent time series data on government expenditure
- developing an operations manual that documents PBO operating processes
- building analytical and research capability through acquiring financial models and providing training for employees
- reducing the time taken to respond to requests for costings and budget information
- preparing for the 2013 election.

Our first year's work

The work of the Parliamentary Budget Office is outlined in an annual work plan prepared by the Parliamentary Budget Officer in consultation with the Joint Committee of Public Accounts and Audit. The work plan outlines the PBO's priorities for the financial year towards the achievement of its outcome.

Measuring performance

Outcome 1

To inform the Parliament by providing independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals.

The first work plan was published on 12 October 2012, less than three months after the PBO was established. The work plan included parameters for assessing performance.

The work plan noted that the PBO's performance would be judged by the quality, timeliness and relevance of its outputs as assessed by feedback from key parliamentary stakeholders, and that the ongoing demand for the PBO's services would be an important indicator of the PBO's ability to add value to the work of Senators and Members and the policy development process.

The PBO's performance is discussed below in terms of the key priorities for its first year of operations.

Becoming operational

One of the PBO's first activities was to develop its governance arrangements. This included a governance framework and processes and progressive implementation of other statutory governance requirements including:

- implementation of Chief Executive's Instructions
- allocation of internal and external financial delegations
- development of financial policies and a fraud control plan
- establishment of internal audit arrangements.

Work to fully implement the PBO's governance arrangements will continue in 2013–14.

The PBO also participated in Parliament House governance committees as required by legislation or the Presiding Officers, including the Parliamentary ICT Advisory Board and the Security Management Board.

Legislation for the PBO and Parliamentary Service

Throughout 2012–13, the PBO was engaged in a series of activities relating to the PBO's mandate and legislative basis. These activities are discussed in Part 1.

In addition, the PBO worked with other parliamentary departments to amend the *Parliamentary Service Act 1999* in relation to Parliamentary Service employment arrangements and professional standards consistent with the amendments to the *Public Service Act 1999*.

Accommodation

Since it began operations, the PBO has been located in Parliament House. In 2012–13, temporary accommodation was provided by the Department of the Senate, the Department of the House of Representatives and the Department of Parliamentary Services. Where necessary, the PBO has upgraded and refurbished this accommodation.

In August 2012, the Parliamentary Budget Officer accepted an offer of permanent accommodation from the Secretary of the Department of Parliamentary Services in the office site previously occupied by the Department of Parliamentary Services executive and, before that, the Joint House Department executive. The proposal was consistent with the strong preference expressed by the Joint Committee of Public Accounts and Audit and other parliamentary stakeholders that the PBO be located in Parliament House. It was also the most cost-effective permanent accommodation option for the PBO.

Throughout 2012–13, a project managed by the Department of Parliamentary Services on the PBO's behalf and overseen by the PBO, commenced designing and constructing the PBO's permanent accommodation. The design, approach to market and evaluation were completed during the financial year. Construction commenced in July 2013, with a completion date of October 2013.

Information technology

Given the sensitivity of the PBO's work, its long-term information technology requirements cannot be satisfactorily met on the mainstream parliamentary computing network. In light of this, the PBO engaged the Department of Parliamentary Services to develop a proposal for a secure information technology network. Detailed network design and development commenced after the Parliamentary Budget Officer's agreement to a Department of Parliamentary Services proposal in January 2013. The project is expected to be completed in December 2013.

Recruitment and human resources management

When the Parliamentary Budget Officer commenced he was supported by an SES Band 1 interim executive officer. Pending the recruitment of permanent employees, in September 2013 the PBO seconded 10 temporary employees with appropriate skills and experience from Australian Public Service agencies. The administrative arrangements supporting these secondments were developed in consultation with the Australian Public Service Commission.

Throughout 2012–13, priority was given to recruiting the PBO's permanent employees. Two bulk recruiting rounds were undertaken during the year, supplemented by targeted recruiting for specific positions. As at 30 June 2013 the PBO had 33 employees, including six SES officers.

Following advice from the Australian Public Service Commission, the PBO engaged its employees under interim employment arrangements that met the requirements of the Australian Government Employment Bargaining Framework. With the appointment of permanent employees, the PBO commenced the development and implementation of its human resources policies, with priority given to the development of a performance management framework.

In addition to recruiting permanent employees, the PBO engaged professional services firms to provide contractors to support the analytical divisions during peak periods. These engagements commenced in early 2013 and will be used as required to help meet the PBO's costing and fiscal policy analysis workload.

Corporate services

To enable the PBO to maintain its focus on its core responsibilities and to minimise costs, the PBO entered into an interim shared services agreement with the Department of Parliamentary Services for the provision of the PBO's back-office services, including finance, human resources, procurement and information technology services. The PBO also engaged the Department of the House of Representatives, initially through the Department of Parliamentary Services, to provide its payroll services.

The PBO worked closely with the Department of Parliamentary Services to prepare a formal memorandum of understanding to cover the services to be provided by the Department of Parliamentary Services, the service level standards that will apply, and the basis for the Department of Parliamentary Services to charge the PBO for the services it provides. The PBO also worked with the Department of the House of Representatives to develop a separate memorandum of understanding to cover payroll services. Both MOUs will be finalised in 2013–14.

Self-initiated work program

The PBO's self-initiated work program provides an avenue for it to help improve budget transparency and promote a better understanding of the Budget and fiscal policy.

Our first report

The PBO's report *Estimates of the structural budget balance of the Australian Government: 2001–02 to 2016–17* was the first in a series of reports that the PBO proposes to issue to help explain how underlying budgetary trends and discretionary fiscal policy decisions impact on the Government's fiscal position.

The report reviewed estimation methodologies from international literature and applied these to Australia. The PBO sought peer review on the methodologies used to derive estimates of the structural budget balance from individuals and organisations familiar with the data, methodologies and estimation techniques. The Australian situation is somewhat unique as key judgements were required for the structural level of Australia's terms of trade—the key driver of nominal GDP growth and hence tax revenue growth over the period of analysis.

Reflecting the uncertainty associated with estimates of the structural level of the terms of trade, the PBO presented estimates of the structural budget balance within a range. Extensive testing of methodologies and assumptions was undertaken to highlight the sensitivities of the estimates of the structural budget balance to these factors. The report provided insights into the drivers of the structural budget balance position, including estimates of the impact of past policy changes and underlying budgetary trends.

What is the 'structural budget balance'?

The structural budget balance is a partial measure of the sustainability of the Budget. It shows the underlying position of the Budget after adjusting the actual budget balance for the impacts of major cyclical and temporary factors. The structural budget balance reflects the impacts of underlying budgetary trends and discretionary fiscal policy decisions.

Expenditure trends analysis

During the year the PBO started a project to investigate and report on detailed historical and projected Australian Government expenditure trends to contribute to an understanding of budget and fiscal policy settings. The project has been complex given the significant data issues arising from a lack of readily available consistent time series data on government spending at the program level, which is crucial for analysis of expenditure trends. Considerable time and effort was spent in recording data from public documents and liaising with agencies to assist in filling in the data gaps to ensure consistency of functional and program spending over time. Despite these hurdles, progress has been made in compiling the database on which to base future analysis.

Capability development

As soon as the PBO commenced operations, it concentrated on quickly building its capability in order to deal with the expected demand from Senators and Members.

PBO operations manual

As well as increasing the capability of the PBO to handle the volume of costing work, there was also a focus on ensuring the quality of the work undertaken was to a high standard. This included ensuring that appropriate quality assurance processes for costings were in place and complied with, and proper records were maintained for the work that was undertaken, including model documentation. These processes have been documented in the PBO operations manual and incorporated into employee induction and training material.

The operations manual became available to employees from 30 April 2013. It provides background information on the PBO, its role and its working arrangements, the costing process including responding to parliamentarians, election costing processes, records management, modelling and data resources and PBO-specific guidelines. The operations manual is a 'living' document that will be added to as processes evolve and guidelines are developed.

Access to information

On 24 September 2012 the PBO signed a memorandum of understanding for the provision of information and documents with the secretaries to the Department of the Treasury and the former Department of Finance and Deregulation. The MOU aims to facilitate the open exchange of information and knowledge between the parties. By early October 2012 the

heads of all Commonwealth departments and a number of key agencies had also elected to be covered by the MOU, facilitating the formation of a collaborative, productive and collegiate working relationship between these entities and the PBO.

The PBO has made use of the MOU to obtain information, data and models from agencies to enable it to meet requests from parliamentarians and to build its capability to undertake budget analysis. In the period to 30 June 2013, the PBO sent 360 requests for information to Australian Government agencies under the MOU arrangements and received 331 responses.

Models and data

The PBO acquired or developed a range of models and datasets in 2012–13. These were either developed in-house or by acquiring and adapting models from a number of Australian Government agencies. In many cases, models acquired from other agencies have been modified in order to adapt them to the costings or analysis being undertaken by the PBO, including working in collaboration with those agencies.

The PBO has standing arrangements for updating its data holdings on a regular basis, typically soon after the release of each economic and fiscal update. The data obtained from agencies includes program and sub-program level estimates, data on activity levels, expenditure and client statistics. Amendments to the *Taxation Administration Act 1953* enable the PBO to access de-identified taxpayer data from the Australian Taxation Office, which it uses in microsimulation models and to obtain information needed to undertake a range of tax-related costings. Arrangements for receiving regular updates of taxation datasets have been made with the Australian Taxation Office.

Responding to requests

One of the first steps in developing the PBO's costing procedures was to establish a register for recording all requests received by the PBO and tracking the progress in meeting those requests. A corresponding register of requests for information made by the PBO to Commonwealth agencies was also developed. These registers enable the PBO to monitor its workload, track requests received and made and identify outstanding requests.

Requests from parliamentarians

The PBO provided its first responses to requests from parliamentarians on 28 September 2012. In the period up to 30 June 2013 the PBO received 607 requests (net of withdrawn requests) from parliamentarians. Of these requests, 461 had been fulfilled, with an average response time of approximately 31 business days, and 146 were outstanding as at 30 June 2013. Table 1 provides a summary of how demand for requests and response times have evolved over time.

Figure 2 represents the time taken to respond to costings in 2012–13 and the days since receipt for all outstanding costing requests at 30 June 2013.

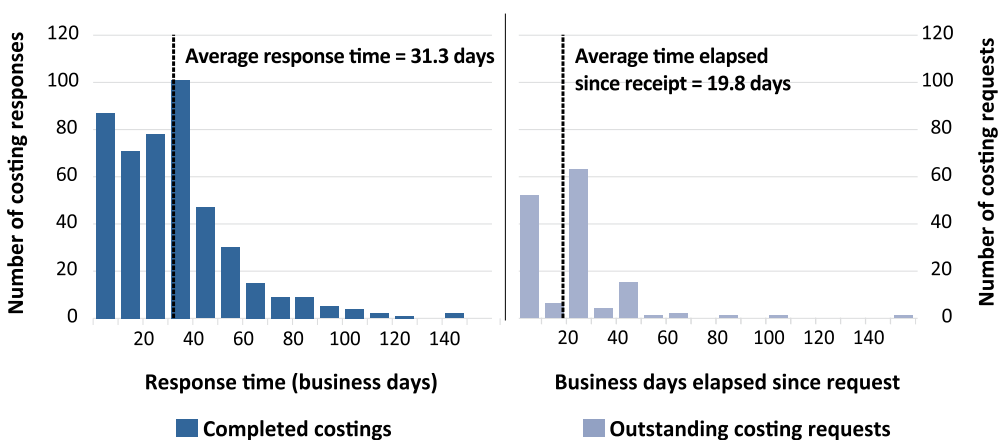
Table 1: Responsiveness to costing requests from parliamentarians

	2012		2013		Total
	Jul–Sep	Oct–Dec	Jan–Mar	Apr–Jun	
Total requests received	32	165	75	349	621
Requests withdrawn	–	6	1	7	14
Number of requests completed	32	158	71	200	461
Average time to completion (business days)	54.6	42.7	23.8	21.4	31.3
Number of requests outstanding	–	1	3	142	146
Average time elapsed since receipt (business days)	–	153.0	84.3	17.5	19.8

As Table 1 shows, the average time taken to complete requests from parliamentarians improved progressively throughout 2012–13. This occurred as processes and procedures were implemented, models and modelling capability were developed, data was obtained and processes for obtaining data from agencies were refined, and as increased employee resources became available. The time taken to complete costing requests improved from an average of:

- 55 business days for requests received to the end of September 2012
- 43 business days for requests received in the three months to the end of December 2012
- 24 business days for requests received in the three months to the end of March 2013
- 21 business days for requests received in the three months to the end of June 2013.

Figure 2: Response times to costing requests received from parliamentarians



All responses were in relation to confidential requests for policy costings outside of the caretaker period, or confidential responses to requests for information on the Budget. The PBO also prepared analysis of its work for presentation to Senate Additional Estimates and Budget Estimates hearings.

Responses from Commonwealth bodies

Under the MOU, Commonwealth bodies are to provide responses to the PBO in relation to information requirements within a reasonable timeframe, with indicative timeframes as follows:

- urgent requests are responded to within five working days of receipt, depending on complexity
- routine requests are responded to within 10 working days of receipt, depending on complexity.

Table 2 provides an overview of the response times by Commonwealth bodies to requests for information from the PBO.

Table 2: PBO information requests and responsiveness of Commonwealth bodies

	Date request sent				Total
	2012		2013		
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	
Requests sent	15	70	100	175	360
Responded <i>by</i> due date	4 (27%)	39 (56%)	35 (38%)	71 (46%)	149 (45%)
Responded <i>after</i> due date	11 (73%)	31 (44%)	58 (62%)	82 (54%)	182 (55%)
Average timeliness (business days)	4.2 late	3.2 late	4.0 late	2.0 late	2.9 late
Requests outstanding (number overdue)	0 (0)	0 (0)	7 (7)	22 (10)	29 (17)

Figure 3 shows that the average response time by Commonwealth bodies to complete information requests by the PBO was around 12 business days, while Figure 4 shows the average timeliness of response by Commonwealth bodies.

Figure 3: Commonwealth bodies' response time for completed information requests

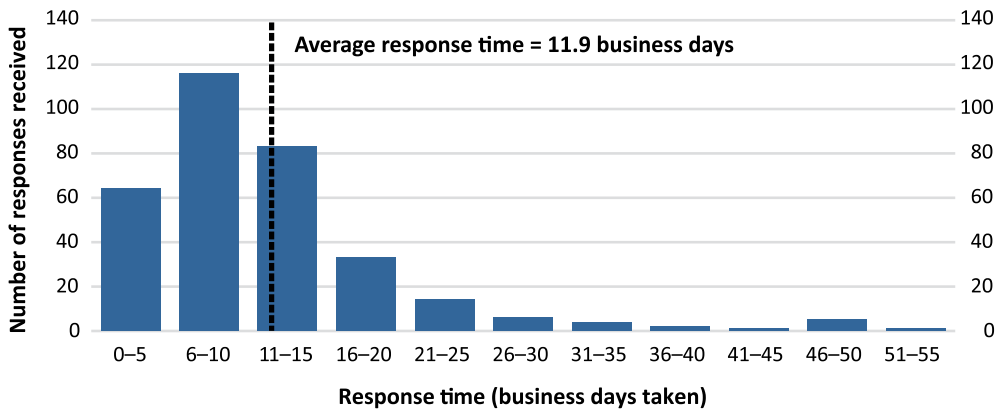
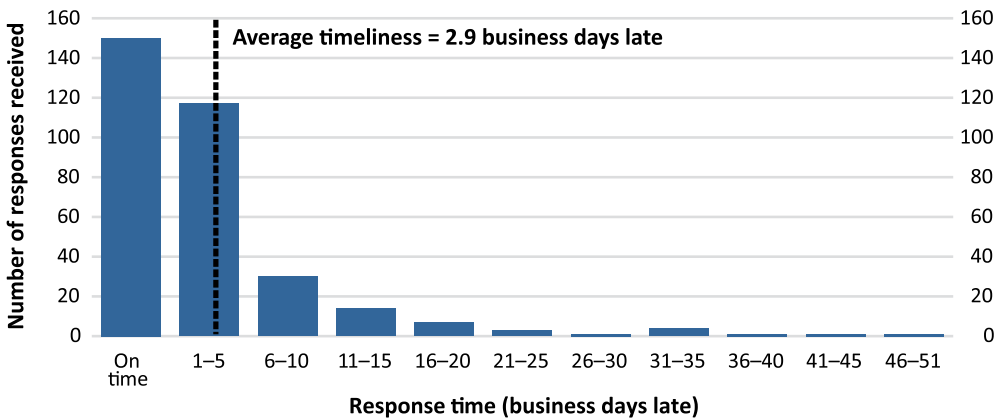


Figure 4: Timeliness of response by Commonwealth bodies to PBO information requests



As Figure 4 shows, the majority of requests were responded to either on time, or within five business days of the due date. The average number of days late reduced from 4.2 business days late in the September quarter to 2.0 business days late in the June quarter. A small number of requests for information from Commonwealth bodies were significantly overdue, which impacted on the PBO's ability to finalise some costings in a timely manner.

Preparing for the 2013 election

Preparations for the 2013 general election included consultations with the Department of the Treasury and the former Department of Finance and Deregulation to settle the arrangements for handling costing requests during the election period and arrangements for information requests and access to data during the caretaker period. The consultations also covered arrangements for the preparation of the post-election report into the costs of the election commitments of designated political parties and arrangements for exchanging information, models and costings undertaken during the caretaker period.

In addition, preparations included:

- guidance to parliamentarians regarding the election costing processes
- guidance to agencies on processes that would apply during the caretaker and post-election report period
- preparation of resources for use in relation to election costings (such as document templates and registers of parties, contacts and requests)
- website development
- training for employees and contractors.

The first major addition to the PBO operations manual was the chapter for election costing processes, developed in preparation for the 2013 general election. The material in this chapter drew on information set out in the *Charter of Budget Honesty—Policy Costing Guidelines* published by the secretaries to the Department of the Treasury and the former Department of Finance and Deregulation and adapted the processes set out in those guidelines to the needs and circumstances of the PBO. Preparations were also made for the post-election report into the election commitments of designated political parties, identifying the processes required for the report from the legislation and incorporating those into the operations manual.

The PBO used contractors engaged on short-term contracts as part of the strategy to manage the added workload associated with the election period. A number of qualified contractors with the required security clearances were identified and engaged as part of the election period preparations.

Stakeholder feedback

As outlined in its 2012–13 work plan, the PBO sought feedback from its parliamentary stakeholders on the quality, timeliness and relevance of its outputs. Feedback indicated that its parliamentary stakeholders were very satisfied with the quality and relevance of outputs, particularly the costings of proposals and support for policy development. While generally satisfied with timeliness, key stakeholders expressed concern about some of the delays the PBO experienced in obtaining information from government bodies.