



Part 2

Performance reporting

Introduction

The priorities for the PBO in 2013–14, along with its allocation of resources and accountability arrangements, were set out in the PBO’s annual work plan, published in accordance with the requirements of the *Parliamentary Service Act 1999*. The 2013–14 work plan, published after consultation with the JCPAA, outlined the following priorities:

- to continue to fulfil the PBO’s mandate as a responsive and effective independent institution of the Parliament
- to support parliamentarians through the preparation of policy costings, and the provision of budgetary information and analyses
- to continue to publish independent budget and fiscal policy analyses with a focus on budget sustainability and the transparency of the budget and fiscal policy.

During the year, the PBO had to give priority to responding to the heavy demand for policy costings and budget analyses—particularly in the lead-up to and during the 2013 election period—and preparing the post-election report of election commitments. In 2013–14, the PBO provided 1,520 responses to requests for costings and budget analyses, the majority of these during the election period. In addition, the PBO committed resources to continuing to build its capabilities and progress its self-initiated program of published research.

The PBO’s performance is judged by the quality, timeliness, relevance and usefulness of its outputs as assessed by feedback from key parliamentary stakeholders. The independence and transparency of the PBO’s processes is also another important indicator of performance.

The 2013 election

The 2013 election presented a major test of the PBO’s capacity. In addition to responding to a high volume of election commitment costing requests, the PBO was required to report publicly, within 30 days after the end of the caretaker period, on the budget impact of the election commitments of the three main parliamentary parties—the Australian Labor Party, the Coalition and the Australian Greens.

From early 2013, the PBO began preparing for the increased workload associated with the 2013 election. The preparations involved developing guidance for parliamentarians on costing processes during the caretaker period, and for agencies on processes that would apply during the caretaker and post-election report preparation periods. Preparations also included a significant amount of model development and data collection.

Consultations were held 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 information requests and access to data during the caretaker period.

The PBO engaged contractors on short-term contracts as part of its strategy to manage the added workload associated with the election period preparations.

Election period costings and budget analyses

From the beginning of the financial year to the end of the post-election reporting period (1 July to 18 October 2013), the PBO completed 1,365 costings and budget analyses with an average completion time of 12.5 business days (refer to Table 1). Key events and dates for the PBO related to the 2013 election are shown in Figure 2.

Figure 2: Timeline of key dates for the PBO related to the 2013 election

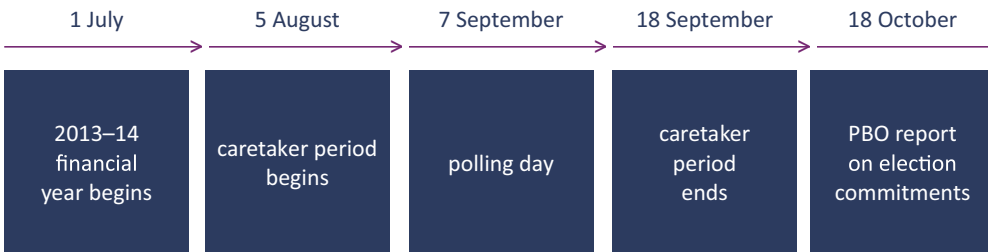


Table 1: Costing and budget analysis requests from parliamentarians and parliamentary parties

	Total 2012–13	Pre-polling and post-election reporting period					After the post-election reporting period	Total 2013–14
		Pre-caretaker	Caretaker	Total pre-polling day	Post-election reporting period (30 days)	Total pre-polling day + post-election reporting period		
Requests outstanding at start of period	–	463	705	463	–	463	–	463
Requests received in period	1,146	736	89 ^a	825	198	1,023	267	1,290
Requests withdrawn in period	19	12	109	121	–	121	41	162
Requests completed in period	664	482	685	1,167	198	1,365	155	1,520
Average time to completion (business days)	33.9	21.1	9.4	14.2	2.8	12.5	25.1	13.8
Requests outstanding at end of period	463	705	–	–	–	–	71	71

^aThese comprised 85 requests for costings of publicly announced policies by the Australian Greens and four confidential budget analysis requests

Note: The table identifies the number of ‘options’ received by the PBO, noting that a single request can contain multiple options.

Before the election on 7 September 2013, the PBO finalised all costings and budget analyses for which it had the necessary information. As shown in Table 1, in the lead-up to the election 1,167 costings and budget analyses were prepared, with 482 completed in the pre-caretaker period and 685 completed during the caretaker period. A further 198 costings were completed during the preparation of the post-election report of election commitments.

Of the 685 costings and budget analyses completed during the caretaker period, 85 were costings of publicly announced policies submitted for costing by the Australian Greens. These requests were responded to publicly by the PBO in accordance with the provisions of the *Charter of Budget Honesty Act 1998* (the Charter).

No other parties or independent parliamentarians submitted publicly announced policies to the PBO for costing under the Charter. All other costing requests responded to by the PBO during the caretaker period were received before the caretaker period commenced and were completed on a confidential basis prior to polling day, consistent with the provisions of the Parliamentary Service Act .

All of the 1,167 costings and budget analyses prepared by the PBO before the election were for non-government parties and, in a very small number of cases, individual parliamentarians.

These statistics show that non-government parties relied heavily on the PBO's services during the election period. They clearly demonstrate the significant contribution the PBO made in providing a more level playing field during the election period by giving all parliamentarians access to costing and budget analysis services previously only available to government parties.

Information provided by a range of government agencies assisted the PBO in the preparation of these costings and budget analyses. Throughout the election period agencies provided 260 responses to requests for information from the PBO. On average, responses were provided in 10.1 business days (refer to Table 2).

Table 2: Information requests to agencies

	Pre-polling and post-election reporting period						After the post-election reporting period	Total 2013–14
	Total 2012–13	Pre-caretaker	Caretaker	Total pre-polling day	Post-election reporting period (30 days)	Total pre-polling day + post-election reporting period		
Requests outstanding at start of period	–	29	33	29	13	29	7	29
Requests sent in period	360	95	98	193	45	238	150	388
Requests received in period	331	91	118	209	51	260	137	397
Requests received by due date	149	42	73	115	16	131	75	206
Requests received after due date	182	49	45	94	35	129	62	191
Average time taken to respond (business days)	12.0	11.3	9.0	10.0	10.4	10.1	16.4	12.2
Average punctuality (business days late)	3.0	4.5	4.4	4.4	6.0	4.7	6.5	5.3
Average lateness of late responses (business days)	6.5	8.9	12.1	10.4	9.1	10.1	16.0	12.0
Requests outstanding at end of period	29	33	13	13	7	7	20	20

Post-election report of election commitments

Under section 64MA of the Parliamentary Service Act, the Parliamentary Budget Officer must, before the end of 30 days after the end of the caretaker period for a general election, prepare a post-election report of election commitments.

This report is required to include costings of all the election commitments for each designated parliamentary party that the Parliamentary Budget Officer, in his best professional judgement, reasonably believes would have a material impact on the Commonwealth budget estimates for the current financial year and the following three financial years, along with the total combined impact of those election commitments on the Budget.

The Parliamentary Budget Officer released the post-election report of election commitments on 18 October 2013. The report included an assessment of the impact of the election commitments made by the Australian Labor Party, the Coalition and the Australian Greens.

The 2013 post-election report represents the first time that all of the costings and budget impacts of the major parties' election commitments have been publicly released. It played an important role in enhancing the transparency of Australia's fiscal and budgetary framework.

The policies included in the report were consistent with the lists of announced policies provided by the parties to the PBO—the one exception being the Australian Greens' commitment to increase funding for the Australian Antarctic Division. This commitment was included in the report but did not appear on the list provided by the Australian Greens.

The overall budget impact of election commitments made by each party was consistent with the information made public by the parties. The only major exception was the savings arising from the Coalition commitment to abolish the Schoolkids Bonus, where the PBO costing of the savings was \$600 million higher on a fiscal balance basis than that made public by the Coalition.

In its report, *The Administration of the Parliamentary Budget Office*, the ANAO examined the variations between the costings in the post-election report and those subsequently included in the relevant budget documents. The ANAO noted that only 26 costings had major variations and that the explanation that the variances were mostly due to policy changes, different costing methodology and different assumptions, was reasonable.

Election period after-action review

After the release of the post-election report, the PBO conducted a review of its 2013 election processes with a view to identifying key lessons. These included maintaining good practices to be carried forward to future processes, and determining areas for improvement. The review was undertaken in consultation with all staff in the PBO and feedback was sought from key external stakeholders.

The review identified four phases of the 2013 election processes that had a direct impact on the PBO:

- the preparation phase
- the pre-caretaker costings and information requests phase
- the election caretaker period
- the preparation of the post-election report phase.

The review made a number of recommendations for improving PBO workflows and operating processes. These included enhancing the PBO's management of models and data holdings, and improving processes for providing parliamentarians with costings, budget analyses and other communications.

Costings and budget analyses post-2013 election

Immediately after the 2013 election, as expected, the demand for costings and budget analyses fell away until early in 2014. The PBO used this period to direct more resources to its self-initiated program of published research.

Since February, the PBO has received a steady stream of requests from parliamentarians, which continued throughout the reporting period.

As shown in Table 1, after the post-election reporting period the PBO completed 155 costings with an average response time of 25.1 business days. The increase in response time in the period since the post-election report was principally due to the PBO receiving a greater number of complex policy proposals requiring complex model development and detailed supporting information from government agencies.

During this period, as shown in Table 2, the PBO received responses from government agencies to 137 information requests to assist in the preparation of its costings and analyses. The average response time was 16.4 business days.

Appendix C contains details of the PBO’s output of costings and budget analyses over the course of the full financial year, by quarter. It also contains details of responses from government agencies to requests for information from the PBO over the course of the full financial year, by quarter.

The resurgence in demand for the PBO’s costing and budget analysis services after the election indicates a likely ongoing and consistent utilisation of the PBO by parliamentarians over the course of the electoral cycle.

Published research

The PBO’s self-initiated work program seeks to help to improve budget transparency and promote a better understanding of the budget and fiscal policy settings.

A priority in the PBO’s 2013–14 work plan was to continue to publish objective budget and fiscal policy analyses with a focus on budget sustainability and the transparency of the budget and fiscal policy.

In the period following the publication of the post-election report, the PBO published two reports and a budget chart pack as outlined below.

Publications in 2013–14

Reports

- Report 02/2013
Australian Government spending—Part 1: Historical trends from 2002–03 to 2012–13 (10 December 2013)
- Report 01/2014
Trends in Australian Government receipts: 1982–83 to 2012–13 (15 April 2014)

Charts

- *2014–15 Budget and forward estimates—charts* (10 June 2014)

Post-election report

- *Post-election report of election commitments* (18 October 2014)

Expenditure trends

The report *Australian Government spending—Part 1: Historical trends from 2002–03 to 2012–13* was released in December 2013. It is the first report by the PBO to provide detailed information on trends and drivers of government spending, which is important for improving understanding of the sustainability of government spending and the future direction of fiscal policy.

The report examined real growth in government spending compared with growth in real gross domestic product (GDP). This approach eliminates the distortionary impact that the significant—and likely temporary—increase in the terms of trade had on nominal spending to nominal GDP ratios over the period covered by the report. The analysis showed that Australian Government spending grew 27 per cent faster in real terms than the annual rate of growth of real GDP over the decade 2002–03 to 2012–13.

To provide this analysis, the PBO compiled, to the extent possible, a consistent time series of spending data at the function and sub-function level. This dataset was included in the report and is available on the PBO website for general use.

Revenue trends

In April 2014, the PBO released the report, *Trends in Australian Government receipts: 1982–83 to 2012–13*, which was aimed at improving understanding of the sustainability of the fiscal position of the Australian Government over time. It examined trends in, and key drivers of, Australian Government receipts over the past three decades.

The extended time period the report spanned enabled the analysis to investigate factors that, while temporary in nature, can persist for some time. During the past three decades there has been profound change in the structure of the Australian economy and the tax system.

The report found that economic growth had been the main driver of receipts. Despite significant tax reform over this period, the net impact of policy decisions changing taxation rates and coverage had a much less significant impact on total receipts, and the mix of direct and indirect taxes collected by the federal government remained relatively unchanged.

The report focused on historical data, with the intention that this data will continue to be a useful resource into the future, including as a foundation for further research by the PBO. The data on which this report is based is available on the PBO website.

Budget charts

In June 2014, the PBO released a graphical summary of the 2014–15 Budget relative to the 2013–14 Mid-Year Economic and Fiscal Outlook, showing the impacts of policy decisions and other factors.

The purpose of the charts was to add to the transparency of the Budget by presenting key budget information in a readily accessible form. In particular, it provided the overall impact of policy decisions on selected government programs.

Engagement with stakeholders

Since its commencement, the PBO has been readily accessible to Senators and Members, and has maintained an open and ongoing dialogue with the Parliament. The PBO has also engaged with a range of external stakeholders.

Engagement with the Australian Parliament

Joint Committee of Public Accounts and Audit

The JCPAA continued to play an important oversight role in relation to the PBO. During the year, the PBO consulted with the JCPAA on the PBO's work plan and resourcing.

Section 64T of the Parliamentary Service Act provides that, after a general election, the JCPAA may request the Parliamentary Budget Officer to initiate an independent review of the PBO's operations.

The ANAO indicated its intention to conduct a performance audit of the administration of the PBO. The JCPAA accepted this review as satisfying its obligations under section 64T of the Parliamentary Service Act.

In November 2013, the ANAO commenced its audit, which examined the effectiveness of the PBO in undertaking its role since its establishment in July 2012. The audit focused on the PBO's governance and administrative arrangements, the processes used by the PBO to undertake its functions and the PBO's monitoring of its performance. The audit report, *The Administration of the Parliamentary Budget Office*, was tabled in Parliament on 5 June 2014.

The ANAO concluded that since commencing operation in July 2012, the PBO has effectively undertaken its statutory role and is already well regarded as an authoritative, trusted and independent source of budgetary and fiscal policy analysis. The ANAO further commented that the PBO has made a significant contribution to levelling the playing field for all parliamentarians.

The report made one recommendation that, in the interests of greater transparency, the PBO include estimates of administrative expenses in all costings, where significant. The PBO agreed with this recommendation and has since implemented it.

Briefing new Members

To assist parliamentarians with their engagement with the PBO, the Parliamentary Budget Officer provided a briefing to new Members in October 2013. This briefing provided an outline of the establishment and role of the PBO and the services available to parliamentarians.

PBO guidance documents

During 2013–14, the PBO published the following guidance documents for Senators and Members on its website:

- *Guidance 03/2013—Election policy costings in the caretaker period for the 2013 general election* (4 July 2014). The purpose of this document was to summarise the key aspects of the policy costing process for costings undertaken by the PBO during the caretaker period for a general election.
- *Guidance 04/2013—Post-election report on election commitments* (4 July 2013). The purpose of this document was to outline the PBO's role in preparing the post-election report of the publicly announced election commitments of designated parliamentary parties and the processes that the PBO would follow in preparing the report.
- *Guidance 05/2013—Possible impact of Contingency Reserve on PBO costings* (23 July 2013). The purpose of this document was to advise that the PBO's costings are subject to the qualification that they are prepared in the absence of information on the possible impact of any provisions in the Contingency Reserve and, in limited circumstances, may not show the full net impact of a policy on the Budget.
- *Guidance 01/2014—PBO analyses of the budget and fiscal policy* (27 February 2014). The purpose of this document was to remind Senators and Members that, in addition to preparing policy costings, the PBO is also available to provide a wide range of analyses of budget and fiscal policy issues.

External engagement

The PBO engages with other institutions and bodies as part of its ongoing operations.

The Parliamentary Budget Officer is a member of the Organisation for Economic Co-operation and Development (OECD) Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions. The OECD network meets annually to share experiences and discuss issues relating to the mandates and operations of independent fiscal institutions, similar to the PBO, around the world.

The International Monetary Fund (IMF) and the World Bank are also represented in these meetings since they are supporting the establishment of independent fiscal institutions in a range of non-OECD countries.

Within this forum there is considerable interest in the Australian PBO and its experiences to date. The Parliamentary Budget Officer presented a paper on the role of independent fiscal institutions in costings at the 2014 meeting in Jerusalem from 31 March to 1 April 2014.

At the invitation of the IMF, the Parliamentary Budget Officer presented a case study on the Australian PBO at the *Institutions for Fiscal Credibility—Fiscal Policy Rules and Fiscal Councils: Experience and Prospects in the Asia-Pacific Region* conference in Tokyo in June 2014. The aim of the conference was to take stock of policy issues in the area of fiscal rules and independent fiscal institutions and to draw out relevant lessons for the Asia-Pacific region.

The First Assistant Parliamentary Budget Officer, Budget Analysis Division chairs the OECD Committee of Fiscal Affairs (CFA) Working Party No. 2 on Taxation Policy and Statistics. This committee meets twice yearly to discuss issues relating to the measurement and analysis of tax policy issues, and reports to the CFA on a regular basis. A major focus of the current activity of the working party is the measurement of the impact of corporate tax base erosion and profit shifting.

The PBO is also engaged with the Tax and Transfer Policy Institute at the Australian National University as a member of the government stakeholders' group. This involves the PBO providing input in relation to the institute's research priorities and identifying areas for cooperation between the PBO and the institute.

In the preparation of reports under the PBO's self-initiated work program, the PBO engages with external reviewers to seek comments and suggestions on the draft reports. In 2013–14, external reviewers provided assistance with the reports, *Australian Government spending—Part 1: Historical trends from 2002–03 to 2012–13* and *Trends in Australian Government receipts: 1982–83 to 2012–13*. Reviewers included university academics, other independent fiscal institutions, private sector economists, and researchers from think tanks.

Stakeholder feedback

As part of its performance audit of the PBO, the ANAO interviewed a wide range of PBO stakeholders including officers from the Department of the Treasury, the Department of Finance and other government agencies that are signatories to the PBO's memorandum of understanding on information sharing; representatives of parliamentary parties and independent members of Parliament; and a selection of 'peer group' stakeholders that were, by nature of their work, familiar with the work of the PBO.

The ANAO reported that stakeholders consulted during the course of its audit all agreed that, for the first time, all parliamentarians have access to independent policy costing and information request services during all periods of the parliamentary cycle. This has made a significant contribution to levelling the playing field for all parliamentarians. In addition, parliamentary and peer group stakeholders viewed the costings prepared by the PBO as being of high quality, and those involved in the costing process agreed that the PBO was professional to work with.

The stakeholders also agreed that the PBO's work has improved the transparency around election commitments, and facilitated a more informed public debate about budgetary matters that has the potential to increase as the PBO releases further information and the public becomes better educated about these topics.

The PBO intends to develop and implement a repeatable stakeholder survey in 2014–15 to enable a comparative analysis of stakeholder feedback over time.

Reconciliation Action Plan

The *Parliamentary Service 2013–15 Reconciliation Action Plan* was signed by the parliamentary department heads in September 2013. The PBO is developing human resource management policies to support an inclusive work environment that values the contribution of all its employees. To support this plan, the PBO enhances cultural awareness through training and induction material, and encourages participation in events, including through the provision of leave for cultural purposes.