



Part 1
Overview

Parliamentary Budget Officer's review

Highlights of 2014–15

The 2014–15 financial year was a year of consolidation for the Parliamentary Budget Office (PBO).

The PBO's third year of operations was characterised by a continuing strong demand from parliamentarians for its costing and budget analysis services and a greater focus on its self-initiated research program.

Over the course of the year the PBO responded to 869 requests from parliamentarians. Nearly all of the PBO's responses were prepared on a confidential basis. This reflected the fact that the PBO's costings and budget analyses were utilised by parliamentarians as an integral part of their internal policy development processes.

A number of responses were made public throughout the year in policy announcements by the parliamentarians who commissioned the PBO to undertake work on their behalf.

The PBO continued to build its skills base and data and model repositories to further strengthen its capabilities and improve its ability to respond to parliamentarians' requests. It also continued to strengthen the co-operative arrangements with Commonwealth agencies for access to data and financial models to be utilised in costings and other analyses, including the PBO's published research program.

The PBO plays an important role in making key budget information more accessible and understandable by parliamentarians and the public through its self-initiated research program. The research program seeks to help improve budget transparency and promote better public understanding of the budget and fiscal policy settings.

The PBO's research program in 2014–15 continued to focus on the sustainability of the budget over the medium term. The PBO published four research reports, two budget chart packs (2014–15 Mid-Year Economic and Fiscal Outlook, and 2015–16 Budget) and one technical note during 2014–15.

The research reports focussed mainly on the medium-term budget outlook and the sensitivity of the budget to economic shocks. The technical note was published to explain the PBO's approach to determining the reliability ratings that are included in each of the PBO's costing documents.

Following the performance audit of the PBO by the Australian National Audit Office (ANAO) in 2013–14, the Joint Committee of Public Accounts and Audit (JCPAA) conducted a review of the PBO's operations. The JCPAA reported to the Parliament in November 2014 making a number of recommendations to support the PBO's operations.

The Government responded to the JCPAA in June 2015 noting and/or supporting the Committee's recommendations with the exception of the recommendation that the PBO should have access to the details of the Contingency Reserve in the budget. The PBO's costings remain subject to the caveat (PBO Guidance: 05/2013 refers) that the PBO does not have access to the details of the Contingency Reserve.

Towards the end of 2014–15 the PBO commissioned an independent research firm to conduct a survey of the PBO's key stakeholders, including parliamentarians and their staff, independent analysts and media representatives.

A large majority of respondents to this survey indicated that they were satisfied with the work of the PBO and agreed that the PBO is non-partisan, independent, operates with integrity, improves the transparency of the budget and fiscal policy settings, and helps to level the playing field for all parliamentarians. There was strong satisfaction with the quality of the PBO's policy costings, budget analyses and research publications.

Stakeholder satisfaction with the PBO's service delivery arrangements was also high. In particular, the professionalism, accessibility and helpfulness of staff were rated highly, as was the consistency of the information provided by the PBO.

Stakeholders would, however, like to see an improvement in the timeliness of the PBO's responses. This will require continuing attention to the PBO's data collection, model development and staff training, and ensuring that the PBO is adequately resourced to cope with the sustained high demand for its services.

Financial results

The PBO received an unmodified opinion on its 2014–15 financial statements from the ANAO. These statements can be found in Part 4.

The PBO recorded an operating surplus during the year of \$0.114 million, comprising revenue of \$7.354 million and expenses of \$7.240 million.

As at 30 June 2015, the PBO was in a sound net worth position, reporting net assets of \$3.363 million, represented by assets of \$5.201 million and liabilities of \$1.838 million.

As at 30 June 2015, the PBO had departmental appropriations receivable totalling \$2.143 million, which is primarily held for employee provisions and other payables. In addition, the PBO had a balance of \$5.300 million in the special appropriation made under section 64D of the *Parliamentary Service Act 1999*.

The year ahead

Looking forward, the PBO will focus on augmenting its workforce and continuing to build its capability to accommodate the anticipated increase in demand for policy costing services in the lead up to the next general election. A significant initiative will be the development of a new workflow management system.

The PBO plans to continue to prepare detailed medium-term projections of receipts and payments after each annual budget to help fill the information gap between the detailed four year forward estimates that are published annually at the budget and mid-year update, and the five yearly 40 year projections in the Intergenerational Report.

The regular preparation of detailed medium-term projections will help to throw more light on the major drivers of the budget and identify significant trends in revenue or expenditure programs that are diverging from the trends over the forward estimates period, thereby facilitating early consideration of options for making any necessary changes to the fiscal policy settings.

The PBO will continue to test the sensitivity of the annual medium-term projections to economic shocks to help identify the key risks to the budget position.

Acknowledgements

I wish to acknowledge the support that the Presiding Officers and the JCPAA provided to the PBO throughout the year.

I also wish to thank the staff of the PBO for their continuing professionalism and commitment to the work of the PBO and their support for the PBO's mandate as an independent and non-partisan institution of the Australian Parliament.

Phil Bowen PSM FCPA
Parliamentary Budget Officer

Parliamentary Budget Office overview

Purpose

The purpose of the PBO, as reflected in the *Parliamentary Service Act 1999*, is to inform the Parliament by providing independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals. This is also the PBO's outcome statement as detailed in the Portfolio Budget Statements 2015–16.

In particular, the PBO aims to help level the playing field for all parliamentarians by providing access to costing and budget analysis services, and enhance the transparency and public understanding of election commitments and the budget and fiscal policy settings.

Functions

The Parliamentary Service Act gives the Parliamentary Budget Officer the following functions:

- outside the caretaker period for a general election, to prepare policy costings on request by Senators and Members, with the requests and the PBO's responses to be kept confidential if so directed by the requestor
- during the caretaker period for a general election, to prepare costings of publicly announced policies on request by authorised members of parliamentary parties or independent parliamentarians, with the PBO's responses to be made public
- to prepare responses (other than policy costings) to requests relating to the Budget from Senators and Members, with the requests and the PBO's responses to be kept confidential if so directed by the requestor
- to prepare submissions to inquiries of parliamentary committees, on request by such committees, with the requests and the PBO's responses to be made public
- after a general election, to report on the election commitments of designated parliamentary parties
- to conduct, on his or her own initiative, research on the budget and fiscal policy settings, with the results of this work to be made public.

Organisational structure

The PBO's organisational structure reflects the PBO's key functions:

- Budget Analysis Division—responsible for budget analyses and policy costings
- Fiscal Policy Analysis Division—responsible for leading the PBO's self-initiated research program and co-ordinating the post-election report of election commitments
- Corporate Strategy Branch—responsible for developing and implementing the PBO's corporate strategies and policies, managing the delivery of the PBO's corporate services and meeting the PBO's compliance obligations.

As at 30 June 2015, the PBO had 39 employees, including six Senior Executive Service (SES) officers. The Budget Analysis and Fiscal Policy Analysis divisions are each headed by an SES Band 2 First Assistant Parliamentary Budget Officer. SES Band 1 Assistant Parliamentary Budget Officers head the Corporate Strategy, Program Analysis, Revenue Analysis and Fiscal Policy Analysis branches.

Figure 1: PBO organisational structure at 30 June 2015

