

Part 2

Performance reporting



Introduction

The priorities for the PBO in 2014–15, along with its allocation of resources and accountability arrangements, were set out in the PBO’s 2014–15 annual work plan, published in accordance with the requirements of the *Parliamentary Service Act 1999*.

The 2014–15 work plan, published after consultation with the JCPAA, outlined the following priorities:

- prepare high quality costings and budget analyses at the request of parliamentarians in a timely manner
- publish research that promotes a better understanding of the budget and fiscal policy settings with a particular focus on the sustainability of the budget over the medium term
- engage effectively with parliamentary committees
- enhance the PBO’s capability to more effectively fulfil its mandate to the Australian Parliament.

The following sections in this part of the annual report address the PBO’s performance against its mandate and the above priorities for 2014–15.

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

The work of the PBO is regularly referred to in public debate and discussion about the budget and fiscal sustainability. The PBO monitors online media on a daily basis to identify impacts the PBO has in the public arena. During 2014–15, the PBO recorded 468 media mentions.

Policy costings and budget analyses

The demand from parliamentarians for policy costings and budget analyses continued unabated throughout 2014–15.

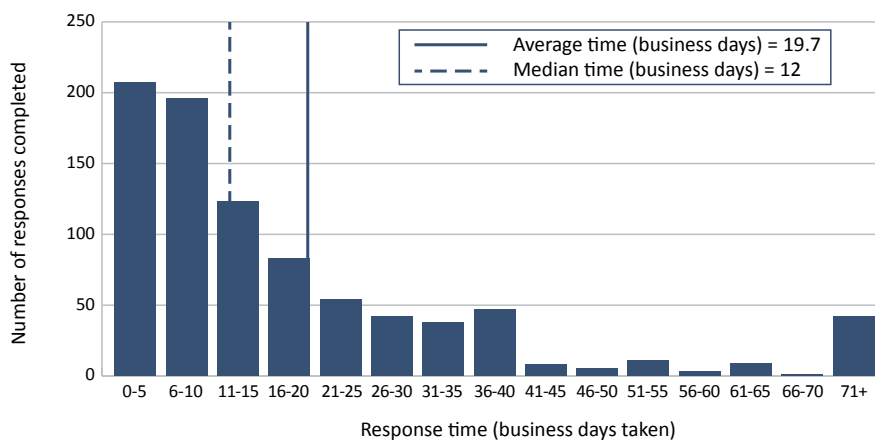
As shown in Table 1, the PBO had 76 requests outstanding at the start of the year, received a further 931 requests during the year (excluding requests that were withdrawn) and completed 869 responses with an average response time of 19.7 business days and a median response time of 12.0 business days. Further detail on the distribution of response times is shown in Figure 2.

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

	2013–14 ¹	2014–15				
	Total	Q1	Q2	Q3	Q4	Total
Requests outstanding at start of period	463	76	124	51	115	76
Requests received in period	1,297	257	129	214	373	973
Requests withdrawn in period	162	4	2	1	35	42
Requests completed in period	1,522	205	200	149	315	869
Average time to completion (business days)	13.8	22.4	10.9	29.3	18.8	19.7
Median time to completion (business days)	6.0	13.0	8.0	20.0	13.0	12.0
Requests outstanding at end of period	76	124	51	115	138	138

¹ Data has been updated following a review of the PBO's records.

Figure 2: Response times to requests received from parliamentarians



As shown in Table 2, the PBO had 16 outstanding information requests with Commonwealth agencies at the start of the year, submitted a further 203 requests and received responses from Commonwealth agencies to 216 information requests to assist in the preparation of its costings and analyses. The average response time by agencies was 13.5 business days with an average punctuality of 2.9 business days late. Further detail on the distribution of agencies' response times and the timeliness of responses is shown in Figures 3 and 4 respectively.

Over the course of the year the PBO put considerable effort into strengthening its relationships with agencies and enhancing its internal protocols for information request processes. There was significant improvement in agency response times in the fourth quarter of the financial year and a continued decline in the proportion of late responses from 44 per cent in the first quarter to 21 per cent by the end of the fourth quarter. From May 2015, the PBO commenced publicly reporting agencies' responsiveness to information requests and providing this information to the Senate Finance and Public Administration Legislation Committee. Appendix C contains details of information request responsiveness by Commonwealth agencies during 2014–15.

Appendix C also contains details of the PBO's output of costings and budget analyses and details of responses from Commonwealth agencies to requests for information from the PBO over the past three financial years.

Table 2: Information requests to agencies

	2013–14 ¹	2014–15				
	Total	Q1	Q2	Q3	Q4	Total
Requests outstanding at start of period	28	16	4	6	6	16
Requests sent in period	388	50	26	40	87	203
Requests received in period	400	62	24	40	90	216
Requests received by due date	209	35	15	26	71	147
Requests received after due date	191	27	9	14	19	69
Average time taken to respond (business days)	12.6	17.0	17.3	17.1	8.5	13.5
Average punctuality (business days late)	5.3	6.9	4.7	1.9	0.2	2.9
Average lateness of late responses (business days)	11.9	17.9	14.1	6.7	3.7	11.2
Requests outstanding at end of period	16	4	6	6	3	3

¹ Data has been updated following a review of the PBO's records in consultation with agencies.

Figure 3: Agencies' response time for completed information requests

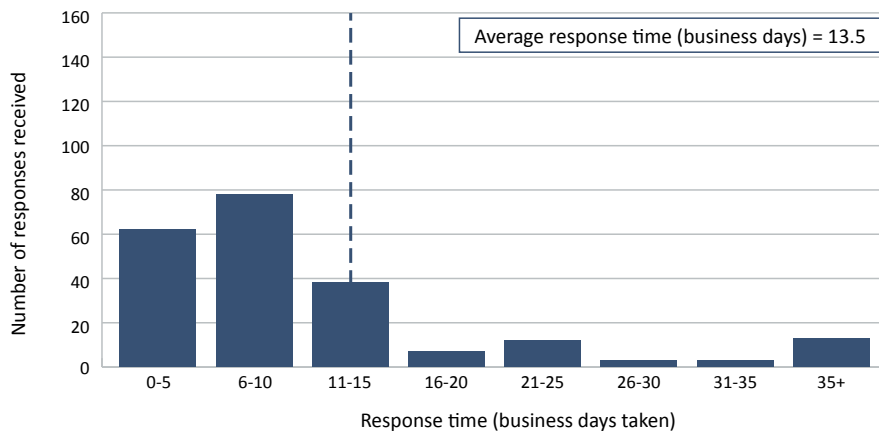
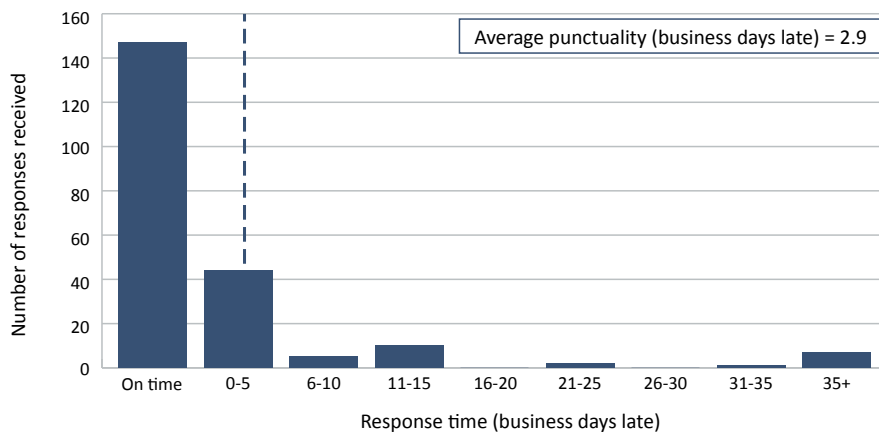


Figure 4: Timeliness of response by agencies to PBO information requests



Documents publicly released under section 64U

Under section 64U of the Parliamentary Service Act, the Parliamentary Budget Officer must, in certain circumstances, make information and documents publicly available. During 2014–15, the PBO published the following document on its website:

- *Update of major yet to be legislated payment measures (27 February 2015).* This document was made publicly available as the applicant did not request the information to be kept confidential.

Published research

The PBO's self-initiated research program seeks to enhance the transparency and public understanding of the budget and fiscal policy settings.

A priority in the PBO's 2014–15 work plan was to continue to publish research that promotes a better understanding of the budget and fiscal policy settings with a particular focus on the sustainability of the budget over the medium term.

During the year, the PBO published four research reports, two budget chart packs, one technical note and other analyses as outlined below. The data sets that underlie the PBO's published work are made publicly available on the PBO website, whenever possible, to be transparent and to provide a basis for others to undertake their own analyses.

Publications in 2014–15

Reports

- Report no. 02/2014
Projections of Government spending over the medium term
(22 August 2014)
- Report no. 03/2014
The sensitivity of budget projections to changes in economic parameters:
Estimates from 2014–15 to 2024–25
(26 November 2014)
- Report no. 01/2015
National fiscal trends
(29 April 2015)
- Report no. 02/2015
2015–16 Budget: medium-term projections
(24 June 2015)

Chart packs and other budget analyses

- 2014–15 Mid-Year Economic and Fiscal Outlook — charts
(9 January 2015)
- 2015–16 Budget and forward estimates — charts
(28 May 2015)
- Unlegislated measures carried forward from the 2014–15 Budget
(29 May 2015)

Technical notes

- Technical note no. 01/2015
Factors influencing the reliability of costings of policy proposals:
The PBO's approach to reliability ratings
(30 June 2015)

Reports

Projections of Government spending over the medium term

The *Projections of Government spending over the medium term* report was released in August 2014. This report extended the historical analysis of government spending released in December 2013 and explored the outlook and drivers of Australian Government spending to help inform discussion about the sustainability of spending over the medium term.

The report framed the discussion around the significant contributors to growth in total government spending and examined trends in these programs over the medium term.

The sensitivity of budget projections to changes in economic parameters: Estimates from 2014–15 to 2024–25

In November 2014, the PBO released a report on *The sensitivity of budget projections to changes in economic parameters: Estimates from 2014–15 to 2024–25*. This report analysed the sensitivity of the 2014–15 Budget medium-term projections to variations in labour productivity growth, the labour force participation rate and the terms of trade. The report highlighted the importance of labour productivity growth, in particular as a driver of economic growth and fiscal sustainability, and included an assessment of the likely balance of risks.

The fiscal impacts of the scenarios developed and modelled by the PBO were based on the macroeconomic impacts of scenarios as modelled by Independent Economics using its Macro-econometric Model. The Independent Economics report and the detailed fiscal results are available on the PBO website.

National fiscal trends

The *National fiscal trends* report was released in April 2015. This report examined historical trends and government projections of revenue, expenditure, net capital investment and the net debt position across all levels of Australian government. The report highlighted the significance of the Commonwealth's fiscal position to the national position and identified a number of uncertainties around the improvement in the budget position projected by the Commonwealth and the states.

2015–16 Budget: medium-term projections

The report *2015–16 Budget: medium-term projections* was released in June 2015. The 2015–16 Budget papers included projections of the underlying cash balance and net debt to 2025–26 but did not include projections of receipts and payments beyond the forward estimates period ending 2018–19.

The PBO report provided detailed projections of receipts and payments over the period beyond the forward estimates to 2025–26. These projections are not forecasts or predictions, but provide a detailed projected budget baseline over the medium term assuming no change in policy settings over the projection period.

Chart packs and other budget analyses

In January 2015, the PBO released its *2014–15 Mid-Year Economic and Fiscal Outlook — charts* which provided a graphical summary of the 2014–15 MYEFO relative to the 2014–15 Budget, showing the impacts of policy decisions and other factors.

In May 2015, the PBO released its *2015–16 Budget and forward estimates — charts* which provided a graphical summary of the 2015–16 Budget relative to the 2014–15 MYEFO, showing the impacts of policy decisions and other factors.

These charts continued the PBO’s practice of adding to the transparency of the budget by presenting key budget information in a more readily accessible form. In particular, they provided the overall impact of policy decisions on selected government programs.

In May 2015, the PBO released *Unlegislated measures carried forward from the 2014–15 Budget*. This document outlined the projected impact of unlegislated measures from the 2014–15 Budget and previous budgets on current budget estimates and over the medium term.

Technical notes

Technical notes are published to help explain the underlying data, concepts and methodologies that the PBO utilises in preparing costings of policy proposals and analyses of the budget and fiscal policy settings. The focus of technical notes is different from that of research reports which are aimed at informing public understanding of budget and fiscal policy issues more broadly.

In June 2015, the PBO released its first technical note *Factors influencing the reliability of costings of policy proposals: The PBO’s approach to reliability ratings*. The technical note outlines why reliability ratings are used and how data, assumptions and volatility of the costing base affect the reliability of costings.

Capability building

Considerable effort has been directed to acquiring detailed datasets and developing models covering major demand-driven expenditure programs and elements of the tax and transfer system. These tools enable the PBO to continue to build its capabilities and have improved the PBO’s ability to respond to parliamentarians’ requests and the quality and reliability of its costings and budget analyses.

The PBO proposes to implement a new workflow management system to replace a number of Excel spreadsheet-based registers currently used to keep track of requests received from parliamentarians and requests for information sent from the PBO to Commonwealth agencies. In March 2015, the Department of Parliamentary Services, on behalf of the PBO, released a request for tender for the provision of a workflow system.

The new system will improve the PBO’s productivity by automating a number of processes that are currently undertaken manually, allowing simultaneous multi-user access, streamlining the monitoring and reporting of key workflows, and simplifying record keeping processes. It is expected that the new workflow management system will be operational in early 2016.

The PBO has a strong culture of digital information management through the use of an electronic data and records management system. The PBO's establishment of a strong digital culture was recognised in May 2015 by the National Archives of Australia when the PBO received a Commendation Award in the Archives' inaugural Digital Excellence Awards.

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.

On 17 July 2014, following the release of the ANAO audit report *The Administration of the Parliamentary Budget Office*, the JCPAA resolved to inquire into and report on the operations of the PBO with specific regard to:

- PBO statutory information gathering powers and access to information, including the Contingency Reserve
- PBO reporting of Government progress against a new set of fiscal rules, as recommended by the National Commission of Audit
- PBO reporting against medium-term projections of fiscal outlook beyond the forward estimates
- best practice for independent fiscal institutions as identified by the International Monetary Fund
- PBO implementation of the recommendation from ANAO Report No. 36 (2013–14)
- the need for any legislative change.

The JCPAA's review provided an early opportunity to examine the framework and operations of the PBO and consider the recommendations of the ANAO, the National Commission of Audit and international principles of best practice.

In August 2014, the PBO made a submission to the inquiry outlining its position on access to information, publication of detailed medium-term projections, and the assessment of fiscal rules.

Report 446: *Review of the Operations of the Parliamentary Budget Office* was released in November 2014. The report concluded that ‘the PBO has quickly established itself as a credible and expert source of information and analysis’¹ and ‘the PBO is an important addition to our democratic arrangements and has already made a significant contribution to transparency and accountability in the country’s finances.’² The report also stated that ‘the success of the Australian PBO is due in no small measure to a clear legislative mandate; the provision of adequate resources, qualified staff and the co-operation built up between the Parliamentary Budget Officer and Executive agencies.’³

The JCPAA made eight recommendations to the Government in the report relating to access to information and the PBO’s mandate.

The Government responded to the JCPAA recommendations on 24 June 2015 noting and/or supporting the JCPAA’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 that the PBO does not have access to the details of the Contingency Reserve (PBO Guidance: 05/2013—*Possible impact of Contingency Reserve on PBO costings* refers).

The PBO’s submission, the JCPAA report and the Government response to the report can be found on the Australian Parliament website.

PBO guidance documents

During 2014–15, the PBO published the following guidance documents for Senators and Members on its website:

- Guidance 02/2014—*Guide to policy costings procedures, information requirements and methodology* (15 July 2014). This guidance updated and replaced Guidance 01/2012 issued on 28 August 2012. In particular, it expanded and clarified information on the timing of costing responses and confidentiality.
- Guidance 01/2015—*Misrepresentation of PBO responses* (29 May 2015). The purpose of this document was to outline the circumstances when the Parliamentary Budget Officer may make a public statement to clarify a matter relating to a confidential response to a request from a parliamentarian.

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 around the world.

The International Monetary Fund and the World Bank are also represented in these OECD network meetings.

¹ Joint Committee of Public Accounts and Audit 2014, *Report 446: Review of the Operations of the Parliamentary Budget Office*, The Parliament of the Commonwealth of Australia, p. 45

² *Ibid*, p. vii

³ *Ibid*, p. vii

At the 7th annual meeting of the OECD network in Vienna in April 2015, the Parliamentary Budget Officer presented on the independent evaluation of the Australian PBO.

The PBO has also established co-operative working relationships with the United States Congressional Budget Office (CBO) and the Canadian Parliamentary Budget Office (Canadian PBO). In December 2014, a representative from the CBO visited the PBO and spoke of the CBO's role in the legislative process. The PBO has held teleconferences with the CBO (February 2015) and the Canadian PBO (June 2015) to discuss common challenges and technical approaches to costings and budget analysis. Feedback from these initial discussions was positive, with agreement to continue discussions at regular intervals (approximately every six months).

The First Assistant Parliamentary Budget Officer, Budget Analysis Division continued to chair 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 co-operation between the PBO and the Institute.

In the preparation of reports under the PBO's self-initiated research program, the PBO engages with external reviewers to seek comments and suggestions on pre-publication draft reports. In 2014–15, external reviewers provided assistance with the reports, *Projections of Government spending over the medium term*, *The sensitivity of budget projections to changes in economic parameters: Estimates from 2014–15 to 2024–25* and *National fiscal trends*. Reviewers included university academics, other independent fiscal institutions, private sector economists, and researchers from think tanks.

Stakeholder feedback

On 20 May 2015, the PBO initiated its inaugural survey of its stakeholders, which included parliamentarians and their staff, as well as a select number of key independent analysts and media representatives. The survey gave stakeholders the opportunity to provide feedback on PBO products and services, which will help to shape the PBO's future service delivery. The survey was conducted online by ORIMA Research.

Responses to the survey were received from the offices of 20 per cent of parliamentarians. One-third of the other stakeholders invited to participate in the survey also provided responses.

Overall a large majority of respondents (86 per cent) indicated that they were satisfied or very satisfied with the work and role of the PBO. Reflecting this positive sentiment, 90 per cent of respondents also agreed that the PBO is non-partisan, independent, operates with integrity, helps to improve the transparency of the budget and fiscal policy settings, and helps to provide a level playing field for all parliamentarians.

Around two in ten respondents had sought specific policy costings and budget analyses through a formal response. The quality of the PBO's policy costings and/or budget analysis was rated favourably with 75 per cent of relevant respondents expressing satisfaction with the response.

Satisfaction with service delivery arrangements was also high. The findings showed that a large majority of respondents (96 percent) were satisfied or very satisfied with the personal customer service attributes of staff in relation to their level of professionalism, helpfulness, accessibility and consistency of advice they received. Stakeholders would, however, like to see an improvement in the timeliness of the PBO's responses. To assist in this regard, the PBO will continue to build its data and model repositories, further invest in staff training, and ensure it is adequately resourced to manage increased demand for its services.

Around seven in ten respondents indicated that they had read at least one PBO publication in the last 12 months. There was a strong level of satisfaction among these respondents with the quality of these publications—91 per cent were satisfied with the accessibility, readability and analytical robustness of these publications. Furthermore, 76 per cent of respondents also found these reports to be valuable in supporting their decision-making.

The survey was developed as a repeatable survey to enable stakeholder feedback to be analysed in a consistent manner over time. The PBO proposes to survey stakeholders on an annual basis, towards the end of each financial year.