

Part 2

Performance reporting



Introduction

The priorities for the PBO in 2015–16, along with its allocation of resources and accountability arrangements, were set out in the PBO’s 2015–16 work plan, published in accordance with the requirements of the *Parliamentary Service Act 1999*.

The 2015–16 work plan, published after consultation with the Joint Committee of Public Accounts and Audit (JCPAA), outlined the following priorities:

- to augment its workforce and continue to build its capability to accommodate the anticipated increased demand for policy costing services in the lead up to the next general election
- to prepare high quality costings and budget analyses at the request of parliamentarians in a timely manner
- 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
- to engage effectively with parliamentary committees.

The following sections in this part of the annual report address the PBO’s performance against its mandate and the above priorities for 2015–16.

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

These indicators are measured by the extent of the demand for the PBO’s services and citations of the PBO’s outputs in the media. This is discussed later in this part.

Preparation for the 2016 election

Early in 2015–16, the PBO began preparing for the increased workload associated with the 2016 election. Three key preparatory strategies were adopted: augmentation of the PBO’s workforce to ensure it could meet the expected demand; implementation of appropriate systems to support the heightened work activity; and provision of updated guidance material to parliamentarians and Commonwealth agencies.

Workforce

To augment its workforce and continue to build its capability, the PBO increased its base level of employee resourcing through bulk recruitment processes for ongoing analyst employees at the Parliamentary Service Levels 5 and 6 and Parliamentary Executive Level 1 classifications. The PBO workforce grew from 39 at 1 July 2015 to 48 at 30 June 2016. In addition, the PBO supplemented its workforce with four secondees through the PBO's secondment program and the 2016 Parliament of Australia graduate program.

With a large number of new employees, a major focus during the year was in-house training on PBO processes, systems and models.

These workforce initiatives were in part funded through the additional supplementation received by the PBO every three years to augment its workforce in an election year, as well as funding provided through a special appropriation under s64D of the Parliamentary Service Act.

Staff who normally would have been engaged on research were also redeployed to work on policy costings in the lead up to the election.

These initiatives ensured the PBO was reasonably well placed to meet the increased demand for policy costing services.

Systems

In early 2015–16, the PBO, assisted by the Department of Parliamentary Services (DPS), concluded a request for tender process for the provision of a workflow management system to replace a number of spreadsheet-based registers previously used to keep track of requests from parliamentarians and requests for information sent from the PBO to Commonwealth agencies.

In late October 2015, the PBO entered into a contract with Optus Networks Pty Limited for the supply and support of the system, with DPS providing the infrastructure. Strong project governance arrangements were established to support the implementation of the system, which was delivered on schedule and within budget on 4 May 2016.

The new system improved the PBO's productivity by automating a number of processes that were previously undertaken manually. It also significantly assisted the PBO to manage and monitor the large number of policy costing requests from parliamentarians in the lead up to the election and requests to agencies for information during the caretaker period, and track election commitments during the preparation of the post-election report.

Guidance

Preparations also 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.

Policy costings and budget analyses

The demand from parliamentarians and parliamentary parties for policy costings and budget analyses increased significantly in the lead up to the 2016 general election. During 2015–16 the PBO completed more than double the number of responses it prepared in 2013–14, the previous election year, and almost four times the number completed in 2014–15. The average time to completion of responses in 2015–16 was maintained at a similar level to that achieved in 2014–15.

As shown in Table 1, the PBO had 138 requests outstanding at the start of the year, received a further 3,133 requests during the year (excluding requests that were withdrawn) and completed 3,251 responses with an average response time of 18.6 business days and a median response time of 16 business days. Further detail on the distribution of response times is shown in Figure 2.

Appendix C provides further detail of the PBO's output of costings and budget analysis over the past four financial years.

All requests to the PBO received prior to the commencement of the caretaker period were prepared on a confidential basis, with the exception of two responses where the applicants did not request the information to be kept confidential. These two requests and the responses were made public on the PBO's website.

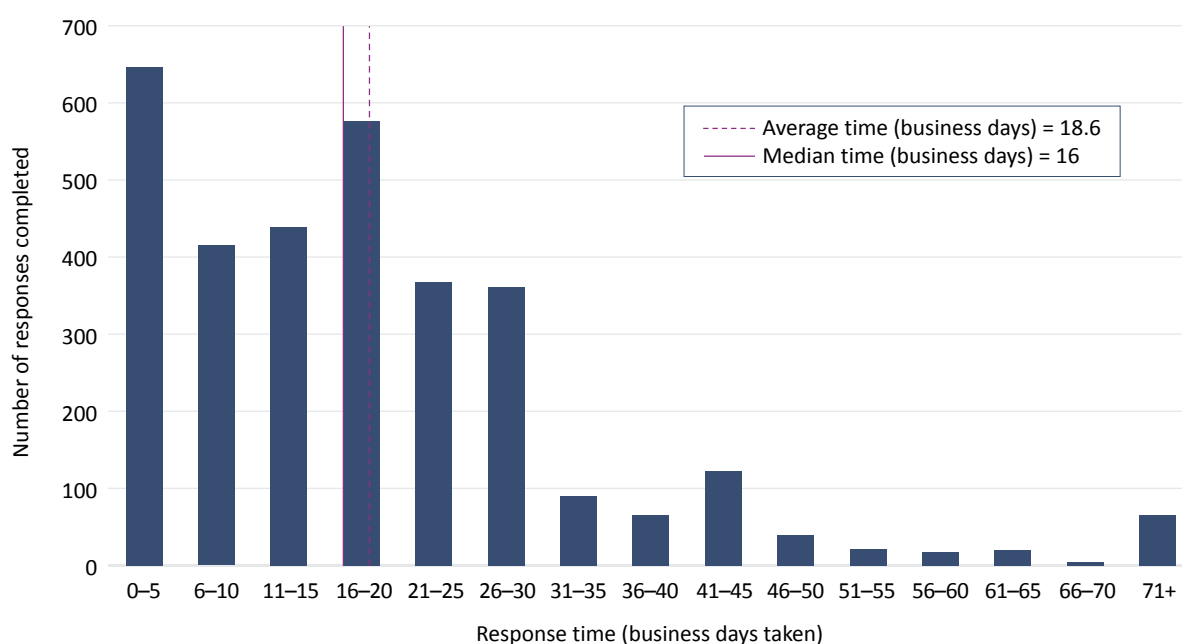
All requests to the PBO received during the caretaker period, and the PBO's responses, were made public on the PBO website. The PBO responded to 86 of 101 caretaker requests (85 from the Australian Greens and one from an independent parliamentarian). The remaining 15 requests, received on 1 July 2016, the day before polling day, were not responded to as the PBO was given insufficient time to complete the requests.

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

	2014–15	2015–16				
	Total	Q1	Q2	Q3	Q4	Total
Requests outstanding at start of period	76	138	165	125	382	138
Requests received in period	973	418	424	1,023	2,281	4,146
Requests withdrawn in period	42	25	28	34	926	1,013
Requests completed in period	869	366	436	732	1,717	3,251
Average time to completion (business days)	19.7	16.3	16.9	24.4	17.1	18.6
Median time to completion (business days)	12	14	16	21	16	16
Requests outstanding at end of period	138	165	125	382	20	20

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

Figure 2: Response times to requests received from parliamentarians and parliamentary parties



As shown in Table 2, the PBO had three outstanding information requests with Commonwealth agencies at the start of the year, submitted a further 743 requests and received responses from Commonwealth agencies to 745 information requests to assist in the preparation of its costings and analyses. The average response time by agencies was 6.5 business days with an average punctuality of 1.3 business days early. Further detail on the distribution of agencies' response times and the timeliness of responses is shown in Figures 3 and 4 respectively.

In the prior year, the PBO put considerable effort into strengthening its relationships with agencies and enhancing its internal protocols for information request processes which resulted in a significant improvement in agency response times in the fourth quarter of 2014–15. This responsiveness continued to improve and was sustained during 2015–16, particularly as the PBO increased the number of requests to agencies in the lead up to the election and during the caretaker period.

In 2015–16, the PBO continued its public reporting of agencies' responsiveness to information requests by providing this information to the Senate Finance and Public Administration Legislation Committee.

Appendix C contains details of information request responsiveness by Commonwealth agencies during 2015–16. Appendix C also details responses from Commonwealth agencies to requests for information from the PBO over the past four financial years.

Table 2: Information requests to Commonwealth agencies

	2014–15	2015–16				
	Total	Q1	Q2	Q3	Q4	Total
Requests outstanding at start of period	16	3	8	58	13	3
Requests sent in period	203	71	200	110	362	743
Requests received in period	216	66	150	155	374	745
Requests received by due date	147	59	142	140	354	695
Requests received after due date	69	7	8	15	20	50
Percentage late	31.9	10.6	5.3	10.3	5.3	6.7
Average time taken to respond (business days)	13.5	6.6	6.9	10.4	4.7	6.5
Average punctuality (business days late)	2.9	-0.8	-1.1	-0.1	-2.0	-1.3
Average lateness of late responses (business days)	11.2	2.4	8.5	3.6	1.7	3.5
Requests outstanding at end of period	3	8	58	13	1	1

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

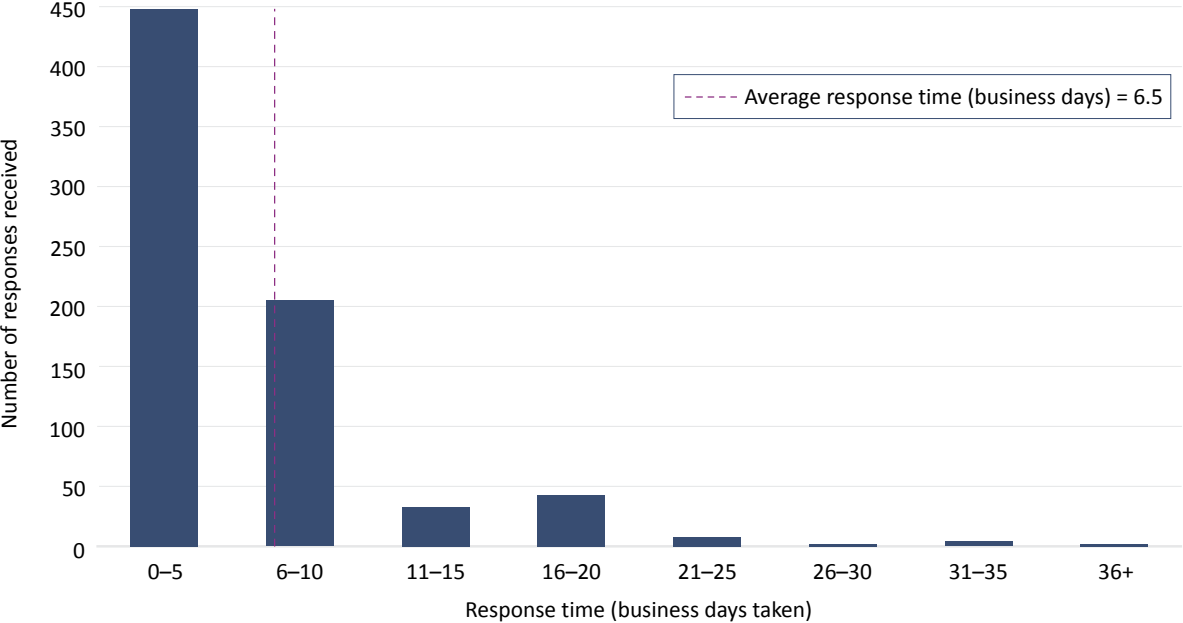
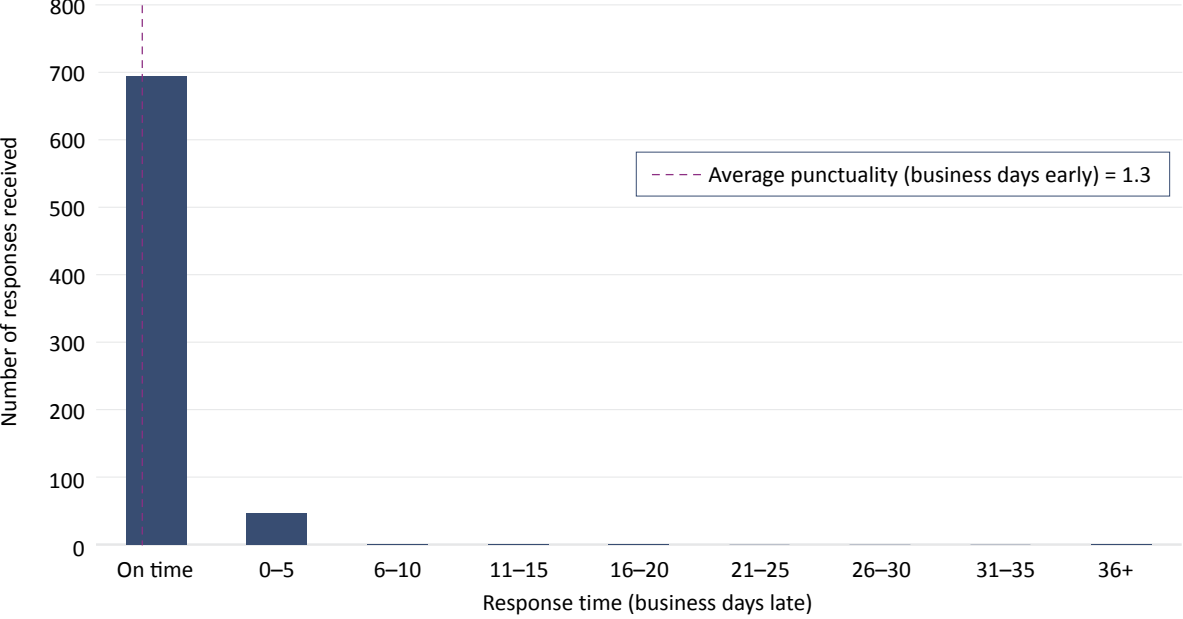


Figure 4: Timeliness of response by Commonwealth agencies to PBO information requests



Post-election report of election commitments

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

A designated parliamentary party is a party with at least five members in the Parliament immediately before the commencement of the caretaker period.

The 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 and next three financial years, and the total combined impact of those commitments.

The Parliamentary Budget Officer released the 2016 post-election report of election commitments on 5 August 2016. The report provided a comprehensive public record of the budget impacts of the election commitments made by the Coalition, the Australian Labor Party and the Australian Greens. It also confirmed the accuracy of the costings attached to the election platforms released by each of these parties prior to polling day.

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 2015–16 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 five research reports, two budget chart packs and four other analyses as outlined below. The datasets 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 2015–16

Reports

- Report no. 03/2015
Alcohol taxation in Australia
(14 October 2015)
- Report no. 04/2015
Medicare Benefits Schedule: Spending trends and projections
(25 November 2015)
- Report no. 05/2015
Goods and Services Tax: Distributional analysis and indicative reform scenarios
(9 December 2015)
- Report no. 01/2016
National fiscal outlook: As at 2015–16 mid-year fiscal updates
(3 February 2016)
- Report no. 02/2016
Higher Education Loan Programme: Impact on the Budget
(6 April 2016) and
Higher Education Loan Programme—supplementary analysis
(20 April 2016)

Chart packs

- 2015–16 Mid-Year Economic and Fiscal Outlook—charts
(13 January 2016)
- 2016–17 Budget—charts
(1 June 2016)

Other budget analyses

- Unlegislated measures carried forward in the Budget—
September 2015 update
(8 September 2015)
- Unlegislated measures carried forward in the budget estimates—
February 2016 update
(3 February 2016; revised 10 March 2016)
- Impact of policy decisions and parameter variations on Australian
Government revenue and spending estimates
(24 February 2016)
- Unlegislated measures carried forward in the budget estimates—
June 2016 update
(9 June 2016)

Reports

Alcohol taxation in Australia

The *Alcohol taxation in Australia* report was released in October 2015. This report examined the structure of alcohol taxation in Australia and provided a brief overview of changes to the system in recent decades.

Medicare Benefits Schedule: Spending trends and projections

The report *Medicare Benefits Schedule: Spending trends and projections* was released in November 2015. This report examined the main factors contributing to the growth in Medicare Benefits Schedule (MBS) spending over the past two decades, including the impact of Government policy changes. It also provided projections of MBS spending over the next decade based on current policy settings at the time of the report.

Goods and Services Tax: Distributional analysis and indicative reform scenarios

The *Goods and Services Tax: Distributional analysis and indicative reform scenarios* report was released in December 2015. This report sought to inform public discussion on the potential for reform of Australia's Goods and Services Tax by providing an independent analysis of the revenue and distributional impacts of five indicative reform scenarios that had been canvassed in public policy discussions.

National fiscal outlook: As at 2015–16 mid-year fiscal updates

The report *National fiscal outlook: As at 2015–16 mid-year fiscal updates* was released in February 2016. This report provided an update to the national fiscal position based on the released Commonwealth and state government mid-year updates. It focused on changes in the fiscal balance and net debt since the release of 2015–16 Commonwealth and state budgets.

Higher Education Loan Programme: Impact on the Budget

The report on the *Higher Education Loan Programme: Impact on the Budget* was released in April 2016. This report analysed the costs of the Higher Education Loan Programme (HELP) and projected the impact of the programme on the underlying cash balance to 2025–26. The PBO also released supplementary analysis of HELP which provided the projected budget impacts of major policy decisions affecting HELP and of the related policy decision to reduce the level of subsidies provided to higher education institutions under the Commonwealth Grant Scheme.

Chart packs

In January 2016, the PBO released its *2015–16 Mid-Year Economic and Fiscal Outlook—charts* which provided a graphical summary of the 2015–16 MYEFO relative to the 2015–16 Budget, showing the impacts of policy decisions and other factors.

In June 2016, the PBO released its *2016–17 Budget—charts* which provided a graphical summary of the 2016–17 Budget, 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.

Other budget analyses

In September 2015, February 2016 (revised in March 2016) and June 2016 the PBO released an update to *Unlegislated measures carried forward in the budget estimates*.

In February 2016, the PBO released *Impact of policy decisions and parameter variations on Australian Government revenue and spending estimates*. This analysis highlighted that external factors such as economic variables have been the main drivers of changes in revenue estimates, whereas changes in spending estimates have been largely driven by policy decisions.

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 enhanced the quality and reliability of its costings and budget analyses.

With a large number of new employees during the year, a major focus was building the workforce capability through in-house training on PBO processes, systems and models.

The implementation of the PBO’s workflow management system immediately before the commencement of the caretaker period provided the PBO with enhanced capability to manage and monitor requests received from parliamentarians and requests for information sent from the PBO to Commonwealth agencies, and track election commitments during the preparation of the post-election report.

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.

Senate Finance and Public Administration Legislation Committee

The PBO appeared before the Senate Finance and Public Administration Legislation Committee throughout the financial year. In advance of each hearing, the PBO continued to provide the Committee with a PBO activity report.

Other parliamentary committees

The PBO's mandate includes the preparation of submissions to inquiries of parliamentary committees on request, with the requests and the PBO's responses to be made public. During 2015–16, the PBO was requested to prepare submissions to the following committees, with the PBO's submissions made publicly available on its website:

- House of Representatives Standing Committee on Tax and Revenue inquiry into the Tax Expenditures Statement (TES). The PBO's submission (17 September 2015) focused on the contribution of the TES to budget transparency and the role it plays in informing public debate and discussion on the budget and on fiscal sustainability.
- House of Representatives Standing Committee on Economics inquiry into tax deductibility. The PBO's submission (21 January 2016) provided factual information on the level, type and distribution of deductions to inform the Committee's deliberations.
- Senate Select Committee on Health. The PBO's submission (3 February 2016) outlined Commonwealth funding of public hospitals.

PBO guidance documents

During 2015–16, the PBO published the following guidance documents for Senators and Members on its website:

- Guidance 02/2015—Public Debit Interest (PDI) payments in PBO costings (3 November 2015). This guidance outlined the treatment of PDI payments in PBO costings.
- Guidance 01/2016—Policy costings in the 2016 election caretaker period (21 April 2016). This guidance provided information on requirements of the PBO in preparing policy costings of publicly announced policies during the caretaker period.
- Guidance 02/2016—2016 post-election report of election commitments (20 June 2016). This guidance provided information on the requirement for the PBO to prepare a post-election report of election commitments.

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) Network of Parliamentary Budget Officials and Independent Fiscal Institutions (OECD network). The OECD network meets annually to share experiences and discuss issues relating to the mandates and operations of independent fiscal institutions around the world.

At the 8th annual meeting of the OECD network in Paris in April 2016, the Parliamentary Budget Officer presented on the various strategies the PBO uses to communicate with its stakeholders.

The PBO has also continued its cooperative working relationships with the United States Congressional Budget Office and the Canadian Parliamentary Budget Office.

The First Assistant Parliamentary Budget Officer, Budget Analysis Division concluded his chairmanship of the OECD Committee of Fiscal Affairs Working Party No. 2 on Taxation Policy and Statistics in November 2015. A major focus of the Working Party during this period was 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 research program, the PBO engages with external reviewers to seek comments and suggestions on pre-publication draft reports. In 2015–16, external reviewers provided assistance with the following reports: *Medicare Benefits Schedule: Spending trends and projections*; *Goods and Services Tax: Distributional analysis and indicative reform scenarios*; and *Higher Education Loan Programme: Impact on the Budget*. External reviewers vary according to the subject of the report and include other independent fiscal institutions, university academics, private sector economists, and researchers from think tanks.

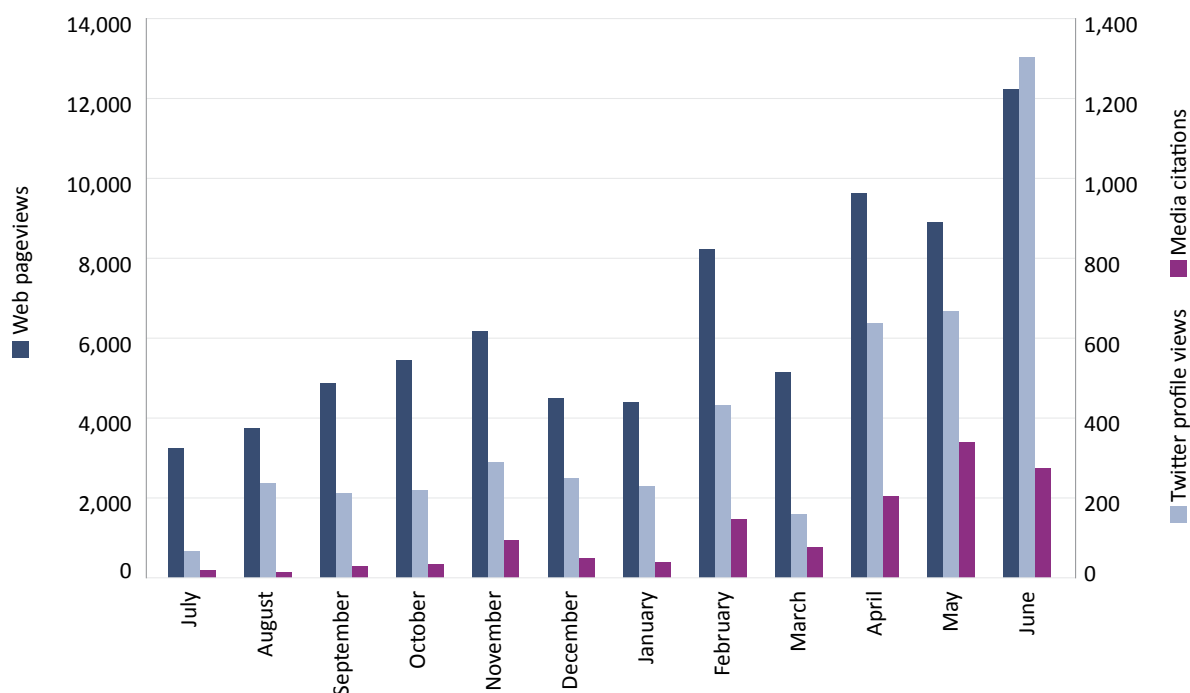
Media citations

Citations of the PBO in the media are indicative of the relevance, quality and timeliness of the PBO's outputs and the independence and transparency of the PBO's processes. The PBO made a substantial contribution to the public debate in 2015–16, demonstrated by the frequency of media citations of the PBO and its outputs.

During 2015–16 the PBO recorded 1,319 media citations (2014–15: 468) across traditional and social media, television and radio, blogs and other media events. Media citations refer to the PBO's outputs, including publications, policy costings and budget analyses, or the role and functions of the PBO generally. In addition to media monitoring, the PBO also tracks website and Twitter statistics. In 2015–16, 76,538 pageviews of the PBO website and 4,696 Twitter profile views were recorded. Figure 5 shows the correlation between these statistics.

Statistics identify peaks following the publication of PBO reports or publicly released policy costing information, suggesting that the PBO's research and analyses generate broad discussion and contribute to the public debate. The PBO also experienced heightened activity in media and on its website in the lead up to the election.

Figure 5: 2015–16 website, Twitter and media statistics



Annual performance statement

Introductory statement

As Parliamentary Budget Officer and the accountable authority of the PBO, I present the 2015–16 annual performance statement of the PBO, as required under paragraph 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). This annual performance statement is based on properly maintained records, accurately reflects the performance of the PBO for the reporting period, and complies with subsection 39(2) of the PGPA Act.

Purpose

The purpose of the PBO is to inform the Parliament by providing independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals. The PBO seeks to achieve its purpose through its functions, outlined in Part 1 of this annual report.

Analysis of performance against purpose

Part 2 of this annual report outlines the nature and extent of the activities undertaken in accordance with the functions of the PBO and analyses the factors that contributed to the PBO achieving its purpose.

The PBO assesses its performance against its purpose using criteria outlined in the PBO's 2015–16 work plan and 2015–16 Portfolio Budget Statements.

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

The PBO measures these indicators through the extent of demand for PBO services, as evidenced in Table 1: *Costing and budget analysis requests from parliamentarians and parliamentary parties* and associated analysis and by the citations of the PBO's outputs in the media, as evidenced in Figure 5: *2015–16 website, Twitter and media statistics* and associated analysis.

In 2014–15, the PBO conducted its first stakeholder survey with the results of this survey outlined in the 2014–15 annual report. This survey was not repeated in 2015–16; however, as 2015–16 is a transitional year for the new performance statement requirements, the PBO will reassess how it can enhance mechanisms to gather feedback from key stakeholders in 2016–17 building on the initial survey.

Financial performance

The operations of the PBO are funded through annual departmental appropriations with supplementation from a special appropriation made under section 64D of the Parliamentary Service Act.

Overview of financial performance

The PBO received an unmodified opinion on its 2015–16 financial statements from the Australian National Audit Office. These statements can be found in Part 4 of this annual report.

The PBO recorded an operating deficit of \$0.149 million for the year ended 30 June 2016. Excluding depreciation and amortisation, the operating result attributable to the PBO was a surplus of \$0.124 million. This result was due to the PBO drawing on its special appropriation, recognised as revenue in the statement of comprehensive income, to partially fund capital purchases, recognised in the statement of financial position.

Expense impacts

Overall, total expenses increased to \$8.202 million (2014–15: \$7.240 million). This increase was largely as a result of the augmentation of the PBO's workforce to meet the increased demand associated with the general election. This additional expense was funded through the additional supplementation received in an election year and the special appropriation.

Revenue impacts

In 2015–16 the PBO's revenue from its annual departmental appropriation increased to \$7.410 million (2014–15: \$7.013 million) directly related to the additional supplementation received in an election year. The PBO also drew \$0.309 million from its special appropriation (2014–15: nil) to meet capital purchases associated with the new workflow management system and additional employee costs. Other revenue, relating to resources received free of charge, remained constant.

Financial position

As at 30 June 2016, the PBO was in a sound net worth position, reporting net assets of \$3.214 million (2014–15: \$3.363 million). This was represented by assets of \$5.648 million (2014–15: \$5.201 million) and liabilities of \$2.434 million (2014–15: \$1.838 million).

Assets increased mainly due to recognition of the workflow management system as an intangible asset and an increased appropriation receivable. The increase in liabilities was mainly due to the increase in employees and recognition of the associated leave liabilities.

As at 30 June 2016, the PBO had a departmental appropriation receivable totalling \$2.359 million, which is primarily held for employee provisions and other payables. In addition, the PBO had a balance of \$4.991 million in its special appropriation.

Agency resource statement

The agency resource statement provides additional information about the various funding sources that the PBO may draw upon during the year. Appendix A details the resources available to the PBO during 2015–16 and sets out the PBO’s summary of total expenses for its outcome.