

Part 2  
Performance reporting





## Introduction

Our priorities in 2016–17, along with our allocation of resources and accountability arrangements, were set out in the 2016–17 work plan, published in accordance with the requirements of the *Parliamentary Service Act 1999* following consultation with the Joint Committee of Public Accounts and Audit (JCPAA).

The 2016–17 work plan outlined the following priorities:

- to publish the post-election report of the budget impacts of the election commitments of designated parliamentary parties
- 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
- develop and maintain the PBO's financial models and databases.

The following sections in this part of the annual report address the PBO's performance against its mandate and the above priorities for 2016–17.

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 are other indicators of performance.

As outlined in our 2016–17 Portfolio Budget Statements, 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, as well as by qualitative feedback received during the year.

## The 2016 election

In our 2015–16 annual report, we reported in detail on the implementation of key strategies we adopted to prepare for the 2016 general election on Saturday 2 July 2016, namely: augmentation of our workforce to ensure we could meet the expected increase in policy costing requests; implementation of appropriate systems to support the additional activity; and provision of updated guidance material to parliamentarians and Commonwealth agencies.

## 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.

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 aggregate 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.

## Election period after action review

After the release of the post-election report, we conducted a review of our 2016 election processes, in consultation with all staff in the PBO, with a view to identifying key lessons. These included identifying good practices to be carried forward to future processes, and determining areas for improvement.

The after action review identified that we were well prepared for the 2016 election and we completed the majority of costing requests before the election. The review also identified opportunities for improving our systems and our internal and external communication.

## Policy costings and budget analyses

The demand from parliamentarians and parliamentary parties for policy costings and budget analyses declined in 2016–17 following the peak in demand arising from the 2016 general election. Despite this year on year decline, the trend in demand for PBO costings and budget analyses has continued to increase in non-election years. During 2016–17 the PBO completed more than double the number of responses it prepared in 2014–15, the previous non-election year. The average time to completion of responses in 2016–17 was maintained at a similar level to that achieved in 2015–16.

As shown in Table 1, the PBO had 20 requests outstanding at the start of the year, received a further 2,572 requests during the year (excluding requests that were subsequently withdrawn) and completed 1,888 responses with an average response time of 20 business days and a median response time of 12 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 analyses over the past four financial years.

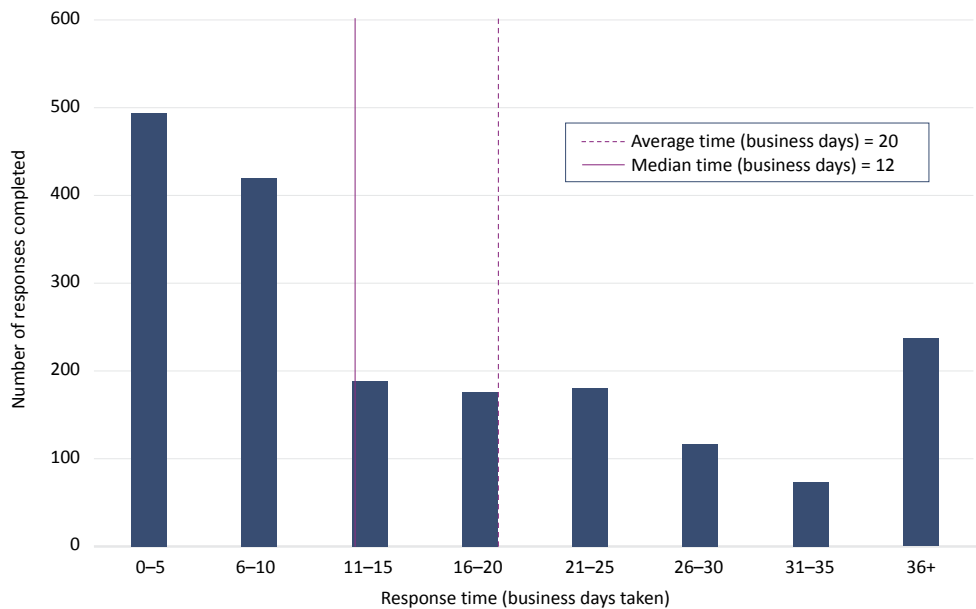
All requests to the PBO received during the 2016–17 year were prepared on a confidential basis.

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

	2015 16	2016 17				
	Total	Q1	Q2	Q3	Q4	Total
Requests outstanding at start of period	<b>138</b>	20	203	341	264	<b>20</b>
Requests received in period	<b>4,146</b>	787	746	523	516	<b>2,572</b>
Requests withdrawn in period	<b>1,013</b>	28	307	133	56	<b>524</b>
Requests completed in period	<b>3,251</b>	576	301	467	544	<b>1,888</b>
Average time to completion (business days)	<b>19</b>	6	21	34	22	<b>20</b>
Median time to completion (business days)	<b>16</b>	6	13	21	17	<b>12</b>
Requests outstanding at end of period	<b>20</b>	203	341	264	180	<b>180</b>

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 one outstanding information request with a Commonwealth agency at the start of the year, submitted a further 523 requests and received responses from Commonwealth agencies to 508 information requests to assist in the preparation of its costings and analyses. The average response time by agencies was eight business days with requests being submitted, on average, two days ahead of the deadline. Further detail on the distribution of agencies' response times and the timeliness of responses is shown in Figures 3 and 4 respectively.

During the year, we continued to maintain strong relationships with agencies and actively managed information request processes including setting deadlines in consultation with agencies, monitoring the progress of requests, and in some cases negotiating extensions of deadlines. This has resulted in a significant fall in the proportion of late responses in 2016–17 compared with 2015–16.

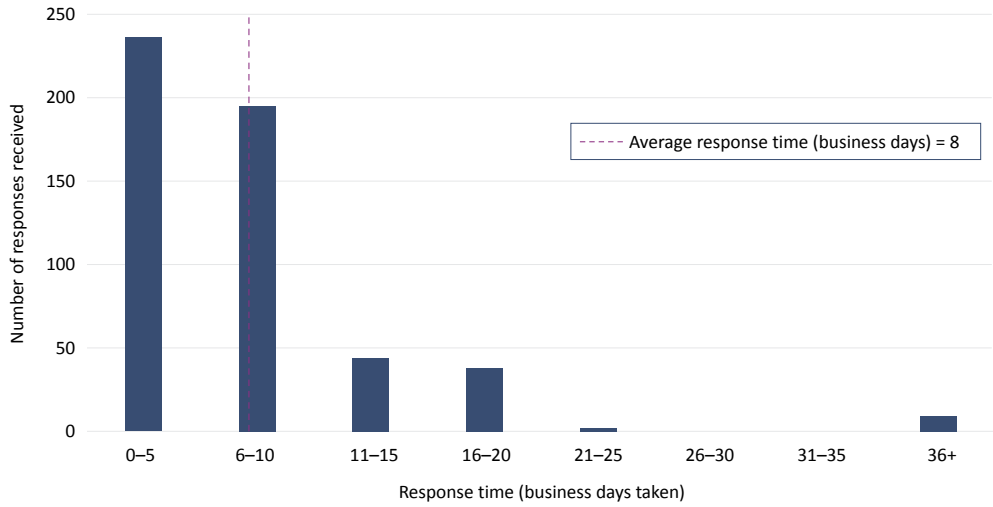
In 2016–17, we continued public reporting of agencies' responsiveness to information requests by providing this information in the activity report to the Senate Finance and Public Administration Legislation Committee and the JCPAA.

Appendix C contains details of information request responsiveness by Commonwealth agencies during 2016–17. Appendix C also details responses from Commonwealth agencies to requests for information from the PBO over the past four financial years.

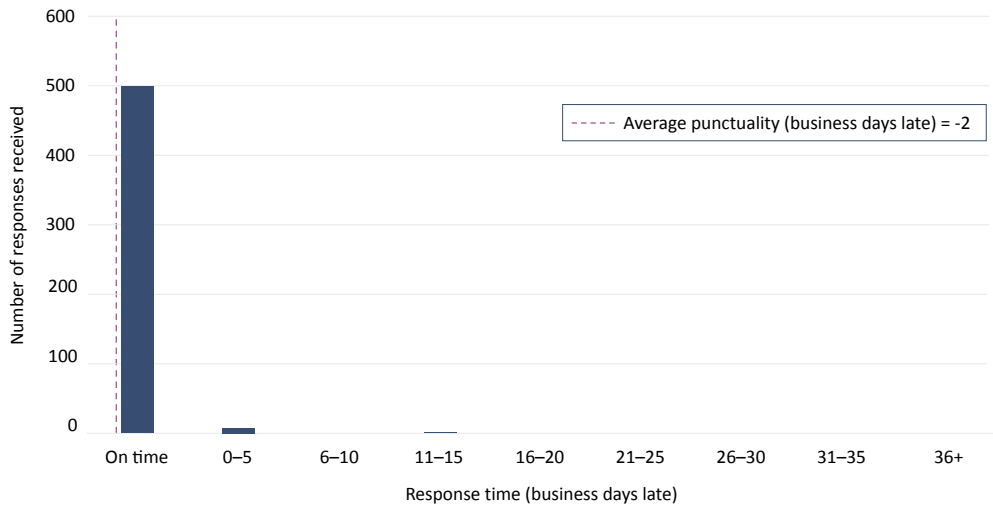
**Table 2: Information requests to Commonwealth agencies**

	2015 16	2016 17				
	Total	Q1	Q2	Q3	Q4	Total
Requests outstanding at start of period	<b>3</b>	1	7	76	15	<b>1</b>
Requests sent in period	<b>743</b>	36	184	82	221	<b>523</b>
Requests received in period	<b>745</b>	30	115	143	220	<b>508</b>
Requests received by due date	<b>695</b>	29	113	139	218	<b>499</b>
Requests received after due date	<b>50</b>	1	2	4	2	<b>9</b>
Percentage late	<b>7</b>	3	2	3	1	<b>2</b>
Average time taken to respond (business days)	<b>6</b>	14	5	8	8	<b>8</b>
Average punctuality (business days late)	<b>-1</b>	-3	-5	-1	-1	<b>-2</b>
Average lateness of late responses (business days)	<b>3</b>	1	1	5	3	<b>3</b>
Requests outstanding at end of period	<b>1</b>	7	76	15	16	<b>16</b>

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



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



## Published research

Our research program seeks to enhance the transparency and public understanding of the budget and fiscal policy settings.

A priority in our 2016–17 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, we published the post-election report, three research reports, two budget chart packs and one other piece of analysis as outlined below. The datasets that underlie our 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 2016–17

#### Post-election report

- Post-election report of election commitments (5 August 2016)

#### Research reports

- Report no. 03/2016  
National fiscal outlook: As at 2016–17 budgets (2 November 2016)
- Report no. 04/2016  
National Broadband Network: Impact on the Budget (14 December 2016)
- Report no. 01/2017  
Future Fund drawdown scenarios: Budget implications (8 February 2017)

#### Chart packs

- 2016–17 Mid-Year Economic and Fiscal Outlook—charts (12 January 2017)
- 2017–18 Budget—charts (31 May 2017)

#### Other budget analyses

- Unlegislated measures carried forward in the budget estimates—February 2017 update (7 February 2017)



## Reports

### *National fiscal outlook: As at 2016–17 budgets*

In November 2016, we released our report *National fiscal outlook: As at 2016–17 budgets*. This report provided an update on the national fiscal outlook based on Commonwealth and state government 2016–17 budgets. It focused on changes in the fiscal balance and net debt from the 2015–16 Commonwealth and state mid-year fiscal updates.

### *National Broadband Network: Impact on the Budget*

In December 2016, we released our report on the *National Broadband Network: Impact on the Budget*. This report discussed the budget impact of the Commonwealth's equity and debt financing of the National Broadband Network and the associated fiscal risks.

### *Future Fund drawdown scenarios: Budget implications*

In February 2017, we released our report *Future Fund drawdown scenarios: Budget implications*. This report discussed scenarios for the drawdown of funds from the Future Fund to meet unfunded superannuation cash payments, and the budget implications of those scenarios.

## Chart packs

In January 2017, we released our *2016–17 Mid-Year Economic and Fiscal Outlook—charts* which provided a graphical summary of the 2016–17 MYEFO relative to the 2016–17 Budget, showing the impacts of policy decisions and other factors.

In May 2017, we released our *2017–18 Budget—charts* which provided a graphical summary of the 2017–18 Budget, showing the impacts of policy decisions and other factors.

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

## Other budget analyses

In February 2017, we released an update to *Unlegislated measures carried forward in the budget estimates*. This analysis provided an update on the impact of unlegislated measures carried forward in the 2016–17 MYEFO on the current budget estimates and projections. Unlegislated measures represent those measures from the 2014–15 Budget and subsequent updates that had failed to pass or required legislation that had not been passed by the announced start date.

## 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 have improved our ability to respond to parliamentarians' requests and enhanced the quality and reliability of our costings and budget analyses.

Capability building activities have included building costing models in-house as well as acquiring costing models from the responsible agencies and adapting them for use within the PBO. In cases where we have acquired a model from an agency and made enhancements to the model, we have made the enhanced model available to the originating agency.

We place a high priority on model documentation as a way of maintaining our modelling capacity and we have implemented a system for tracking the status of documentation of critical models. We aim to have all of our critical models documented so that models can be run without staff requiring in-depth knowledge of the model.

We also seek to ensure that our staff develop a strong understanding of the policy issues on which they work. This is important in order to understand the context of policy costing requests and the relationship to other policy areas which the request may interact with. Staff are encouraged to share this knowledge within their work teams to build the capability of other staff and reduce key person risk.

We have undertaken technical training for staff focusing on developing their modelling, data analysis and programming skills. The aim is to ensure that PBO staff are equipped to undertake analysis of complex policy issues, have the ability to use large datasets, and are able to use and build models based on those datasets.

## 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. We consulted with the JCPAA on our work plan and resourcing and provided an activity report in advance of each Senate Estimates hearing.

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. On 14 November 2016, the JCPAA announced a review to focus on how the PBO could build on its foundations and strengthen its abilities.

The review was conducted by Dr Ian Watt AC (Chair), former Secretary, Department of the Prime Minister and Cabinet, and Mr Barry Anderson, former Deputy Director, US Congressional Budget Office. The review report was tabled in Parliament on 29 March 2017.

The review found that the PBO has been a successful institutional development in Australian governance that has filled a significant gap in Australia's public policy landscape. The review confirmed that the PBO is regarded by stakeholders as an independent and non-partisan organisation that produces rigorous analysis relevant to the public policy debate. It noted that demand for the PBO's costing and budget analysis services has continued to grow at a significant rate.

Sixteen recommendations were made in relation to how we could further improve our operations and effectiveness. The PBO agrees with all recommendations. Our responses and proposed actions are outlined in our 2017–18 work plan.

#### *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, we provided the Committee with our detailed 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 2016–17, we were requested to prepare submissions to the following committees, with our submissions made publicly available on our website:

- Senate Select Committee on Red Tape – inquiry into the effect of red tape on the sale, supply and taxation of alcohol. Our submission (9 March 2017) provided an update of Table 3–2 and Figure 3–2 of our Report no. 03/2015 – *Alcohol taxation in Australia*. The updated information included excise and excise-equivalent customs duty and Wine Equalisation Tax receipts for the 2015–16 financial year.
- House of Representatives Standing Committee on Economics – inquiry into tax deductibility. Our submission (7 June 2017) provided an update of Table 5 from our previous submission to the Committee of 21 January 2016. The updated information related to company interest deductions by company size (turnover) for the 2013–14 and 2014–15 income years.

### ***Briefing new parliamentarians***

To assist parliamentarians with their engagement with the PBO, the Parliamentary Budget Officer provided a briefing to new Senators in August 2016. This briefing provided an outline of the establishment and role of the PBO and the services available to parliamentarians.

### ***PBO guidance documents***

During 2016–17, we published the following guidance document for Senators and Members on our website:

- Guidance 01/2017—*Replacement of reliability ratings in costing responses* (31 March 2017). This guidance provided information on the requirements on the PBO to replace the reliability rating in its costing response documents with a statement on the factors that can affect the uncertainty of that type of policy costing. The PBO's costing response documents will expand existing qualitative comments on reliability to highlight particularly uncertain elements of the specific policy when that is appropriate.

### **External engagement**

We engage with other institutions and bodies as part of our 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.

In August 2016, at the request of the Parliamentary Budget Office of the Republic of South Africa, the then Parliamentary Budget Officer, Mr Phil Bowen PSM FCPA, participated in the 2016 African Parliamentary Budget Office Conference, held in Cape Town, South Africa. Mr Bowen presented on the PBO and its role in supporting Australian democracy.

In April 2017, the then Parliamentary Budget Officer, Mr Phil Bowen PSM FCPA, participated in the 9th annual meeting of the OECD network. Mr Bowen presented on the key findings and recommendations from the recent review of the PBO.

In May 2017, the First Assistant Parliamentary Budget Officer, Fiscal Policy Analysis Division, Mr Tim Pyne, attended the 2017 Seoul International Forum on Elections hosted by the National Election Commission of the Republic of Korea. Mr Pyne presented on the preparation of policy costings by the PBO and the post-election report of election commitments.

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

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.

From time to time, in the preparation of reports under the PBO's research program, the PBO engages with external reviewers to seek comments and suggestions on pre-publication draft reports. 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.

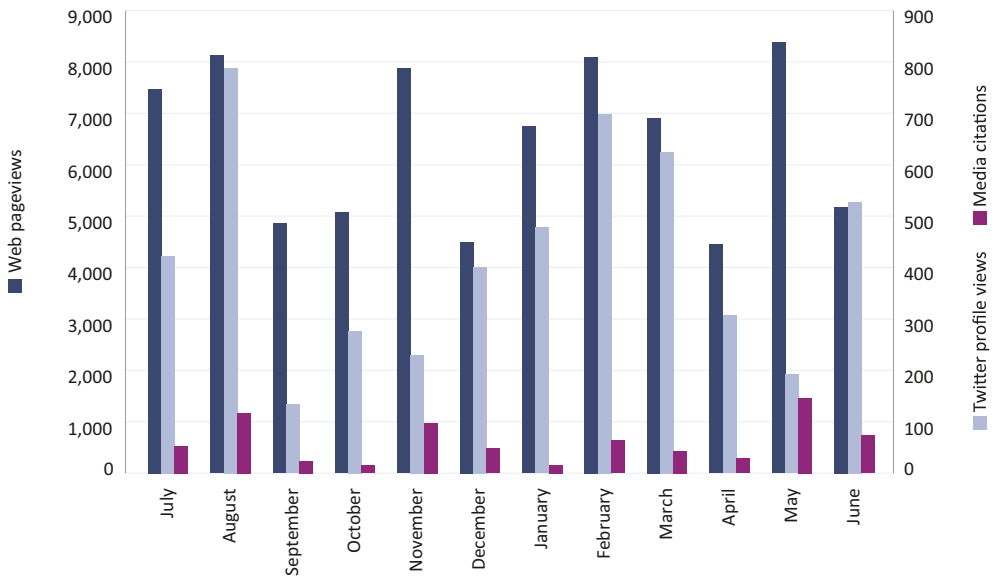
## Media citations

Citations of the PBO in the media are indicative of the relevance, quality and timeliness of our outputs and the independence and transparency of our processes. We continued to contribute to the public debate in 2016–17, demonstrated by the frequency of media citations about the PBO and our outputs.

During 2016–17 the PBO recorded 725 media citations (2015–16: 1,319) across print, online and social media, television and radio, blogs and other media. Media citations were higher during 2015–16 due to the heightened media activity in the lead up to the 2016 election. 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, we also track website and Twitter statistics. In 2016–17, 77,657 pageviews of the PBO website (2015–16: 76,538) and 5,081 Twitter profile views (2015–16: 4,696) were recorded. Figure 5 shows the correlation between these statistics.

Statistics identify peaks following the publication of our reports or publicly released policy costing information, suggesting that our research and analyses generate broad discussion and contribute to the public debate.

**Figure 5: 2016–17 website, Twitter and media statistics**



## Annual performance statement

As Parliamentary Budget Officer and the accountable authority of the PBO, I present the 2016–17 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. We seek to achieve our purpose through the PBO's functions, outlined in Part 1 of this report.

### Analysis of performance against purpose

Part 2 of this 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 our 2016–17 work plan and 2016–17 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 other indicators of performance.

We measure 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 and its outputs in the media, as evidenced in Figure 5: *2016–17 website, Twitter and media statistics* and associated analysis. We also measure these indicators through qualitative feedback we received during the year.

As part of the review of the PBO, the review panel held over 30 discussions with the PBO's stakeholders over the period December 2016 to February 2017. The review reported:

*Consultations with stakeholders showed that the PBO is widely regarded as an independent, non-partisan institution, with a reputation for professional and rigorous analysis. Stakeholders had more varied views on how the PBO should evolve in the future.*

*For a relatively small organisation with a limited output, there was quite a significant diversity of views on the elements of the PBO's work that was of most interest and importance. Parliamentarians (and Government Departments and Agencies) placed a very heavy emphasis on the PBO's policy costing role, in particular the importance of maintaining confidentiality and striving for timely responses.*

*Others placed more importance on the PBO's self-initiated research reports, particularly those considering issues of medium-term fiscal sustainability and explaining complex budget accounting issues. This highlights the divergent interests as well as challenges those outside the system face in understanding parts of the budget papers.<sup>1</sup>*

The review panel gave regard to the views and feedback of the PBO's primary stakeholders in the development of the review recommendations. Accordingly, the review recommendations, and the PBO's responses, seek to improve the PBO's performance with respect to the relevance, quality and timeliness of its outputs.

## Financial performance

The PBO's operations 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 2016–17 financial statements from the Australian National Audit Office. These statements can be found in Part 4 of this report.

The PBO recorded an operating deficit of \$0.336 million for the year ended 30 June 2017. Excluding depreciation and amortisation, the operating result attributable to the PBO was nil.

#### *Expense impacts*

Overall, total expenses increased to \$8.819 million (2015–16: \$8.202 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 and expenses incurred in relation to the review of the PBO.

<sup>1</sup> Watt, I & Anderson, B 2017, *Parliamentary Budget Office review 2016–17, report of the independent review panel*, Canberra, pp9–10



### ***Revenue impacts***

In 2016–17 the PBO’s revenue from its annual departmental appropriation decreased to \$6.922 million (2015–16: \$7.410 million) directly related to the additional supplementation received in 2015–16. The PBO also drew \$1.219 million from its special appropriation (2015–16: \$0.309 million) to meet increased employee expenses associated with the higher demand for services during the year and expenses relating to the review of the PBO. Other revenue, relating to resources received free of charge, remained constant.

### ***Financial position***

As at 30 June 2017, the PBO was in a sound net worth position, reporting net assets of \$2.858 million (2015–16: \$3.214 million). This was represented by assets of \$4.999 million (2015–16: \$5.648 million) and liabilities of \$2.141 million (2015–16: \$2.434 million).

Assets decreased due to depreciation charges for the year. The decrease in liabilities was mainly due to the lower employee levels at year end and recognition of the associated leave liabilities.

As at 30 June 2017, the PBO had a departmental appropriation receivable totalling \$2.101 million, which is primarily held for employee provisions and other payables. In addition, the PBO had a balance of \$3.772 million in its special appropriation.

### ***Entity resource statement***

The entity 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 2016–17 and sets out the PBO’s summary of total expenses for its outcome.