



Parliament of Australia

Parliamentary Budget Office

PARLIAMENTARY BUDGET OFFICE
WORK PLAN 2012-13

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Attachments:

PBO Guidance 01/2012: A Summary Guide to Policy Costings – Procedures, Information Requirements and Methodology

Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in relation to the Provision of Information and Documents

Foreword

The establishment of the Parliamentary Budget Office (PBO) provides a new opportunity to help strengthen policy development and sharpen the focus of public debate on substantive policy issues rather than on the accuracy of policy costings. All Senators and Members of the House of Representatives have access to the services of the PBO. There is now a more level playing field from which members of Parliament may obtain independent, non-partisan analyses of the budget and costings of policy proposals.

Policy proposals are able to be costed by the PBO over the entire course of the electoral cycle. During the caretaker period for a general election the PBO is subject to the same rules that apply to the costing of publicly announced policies under the *Charter of Budget Honesty Act 1998* (the Charter). However, outside of the caretaker period, the PBO may cost policy proposals for any Senator or Member at their request.

This marks a significant departure from the previous arrangements, particularly for non-government parties who previously under the Charter were only able to have their publicly announced policies costed during the approximately four to six weeks of the caretaker period. It also represents a new service for independent members of Parliament and parties with fewer than five members in the Parliament who have no access to costings under the Charter arrangements.

Outside of the caretaker period the PBO is able to prepare costings on a confidential basis if so requested. This means that the PBO can work interactively with the requestors of policy costings to ensure that the assumptions underlying the policies are properly understood and taken into account by the PBO in its costings. This approach has the potential to foster a more measured and robust approach to policy development and enhance budget transparency.

In line with its mandate, the PBO will operate in an independent and non-partisan manner with complete objectivity and utmost discretion. The PBO will work closely with Senators, Members and authorised members of Parliamentary parties to ensure that it has a deep understanding of their requirements and can respond effectively to their requests.

The PBO's performance will be judged on the quality, timeliness and relevance of its outputs as assessed by feedback from its Parliamentary stakeholders.

Phil Bowen PSM FCPA
Parliamentary Budget Officer

12 October 2012

PARLIAMENTARY BUDGET OFFICE

WORK PLAN 2012-13

1. Background

- 1.1. The Parliamentary Budget Office (PBO) was established as the fourth Parliamentary Department under Section 64A of the *Parliamentary Service Act 1999* (the Act).
- 1.2. The PBO is a prescribed agency under Section 5 of the *Financial Management and Accountability Act 1997* (the FMA Act).
- 1.3. The inaugural Parliamentary Budget Officer, Mr Phil Bowen PSM FCPA, took office on 23 July 2012 for a term of four years. The PBO commenced operations from that date.
- 1.4. 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.
- 1.5. Specifically the 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 members;
 - to prepare responses (other than policy costings) to requests relating to the budget by 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 publicly available; and
 - 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 publicly available.
- 1.6. The Parliamentary Budget Officer is required to prepare a work plan for the PBO for each financial year. The work plan is to be prepared in consultation with the Joint Committee of Public Accounts and Audit (JCPAA). The PBO's first work plan is required to be prepared before 23 October 2012. Thereafter work plans must be prepared before 1 October each year. The PBO's work plans are required to be made publicly available.

2. Priorities for 2012-13

2.1. The key priorities for the PBO in its first year of operations are as follows:

- to place the PBO on a fully operational footing with the capacity to fulfil its mandate as a responsive and effective independent institution of the Parliament; and
- to gain the trust of the Parliament in the PBO as a valued source of budget and fiscal policy analyses and policy costings that strengthen the policy development process and enhance the transparency of the budget and fiscal policy.

2.2. Details of how the PBO proposes to pursue these priorities are set out in subsequent sections of the Work Plan.

3. Allocation of Resources

3.1. As outlined in its 2012-13 Portfolio Budget Statements, the PBO has been provided with a special appropriation of \$6 million and an annual appropriation for 2012-13 of \$6.083 million.

3.2. These appropriations will be utilised to meet the PBO's start-up costs, including accommodation and IT system requirements. The PBO's budget will enable it to employ approximately 30 to 35 staff, access commercial information services and engage temporary staff and specialist consultants or advisers to help fill skills gaps and meet peak workloads.

3.3. Outside of the caretaker period, priority will be given to responding to requests from Senators and Members for policy costings and budget analyses. During the caretaker period for a general election, priority will be given to responding to requests for publicly announced policies to be costed by the PBO under the provisions of the *Charter of Budget Honesty Policy Costing Guidelines* (the Charter Guidelines).

3.4. Since a general election must be held before 30 November 2013, and given that the PBO is still gearing up to become fully operational, in its initial year of operations the PBO will focus heavily on its policy costing role and develop its capability to respond effectively to requests from Senators and Members.

3.5. The PBO will also allocate resources in 2012-13 to its self-initiated work program. The PBO's approach to this program is discussed in Section 9 of the Work Plan.

4. Initial Steps to Establish the Office

4.1. During its first three months of operations the PBO has recruited a number of temporary staff with appropriate skills and experience and has commenced the recruitment of its permanent workforce. Pending the appointment of permanent staff the PBO has adopted a task-force-like approach to its work. This has enabled the PBO to operate with maximum flexibility pending a clearer appreciation of the full nature and extent of the workload that it is likely to be faced with in the future.

- 4.2. The PBO will adopt a relatively flat organisational structure around the following key functions: fiscal policy analysis; revenue analysis; and program analysis. Responsibility for corporate strategy and services will be allocated to one of the PBO's senior executives in addition to his/her responsibilities for one of the above functional areas. Staff will work flexibly across the PBO in response to workload demands.
- 4.3. The obligations placed on the PBO by the FMA Act to establish a financial framework and related policies have been substantially met. The PBO's Chief Executive's Instructions and internal and external delegations are all in place. A fraud control plan and a risk management framework will be developed and an audit committee and arrangements for the provision of internal audit services will be established.
- 4.4. To enable the PBO to maintain its focus on its core responsibilities and to minimise cost, an interim shared services agreement has been entered into with the Department of Parliamentary Services (DPS) for the provision of the PBO's back-office services, including finance, human resources, procurement and IT services. Particular attention is being paid to the PBO's need for a secure IT system. The PBO will also seek to utilise the information resources of the Parliamentary Library when relevant.
- 4.5. A formal Memorandum of Understanding (MOU) is close to being finalised with DPS. It will cover the services to be provided by DPS, the service level standards that will apply, and the basis for DPS to charge the PBO for the services it provides. The intention is to keep these arrangements as administratively simple and cost effective as possible.
- 4.6. The PBO has accepted a proposal from DPS to make available permanent accommodation for the PBO in Parliament House. The JCPAA and other Parliamentary stakeholders have expressed a strong preference for the PBO to be located in Parliament House and it is the most cost effective option. The PBO's permanent accommodation will be self-contained and physically secure and is expected to be available for occupation by the end of June 2013.

5. Working with the JCPAA and other Parliamentary Committees

- 5.1. The JCPAA, as the oversight committee for the PBO, has an important role to play in helping the PBO to establish itself as an effective arm of the Parliament. The PBO will meet with the JCPAA on a regular basis, particularly during its establishment phase, to keep the Committee abreast of the PBO's progress.
- 5.2. The PBO will appear regularly before the Senate Finance and Public Administration Legislation Committee. The PBO will also respond to requests for assistance from other Parliamentary Committees on issues that fall within its mandate.

- 5.3. Under Section 64U of the Act, submissions made by the PBO to inquiries of Parliamentary committees must be made publicly available. Under the *Parliamentary Privileges Act 1987*, however, where a committee directs that a submission is to be treated as evidence taken in camera, public disclosure of the submission is not permitted.
- 5.4. The PBO will work closely with the Chamber departments to resolve this apparent inconsistency between the two pieces of legislation.

6. Working with Senators and Members

- 6.1. Early consultations have been held with key Parliamentary stakeholders. It will be essential for the PBO to maintain an ongoing dialogue with the Parliament through effective channels of communication.
- 6.2. The PBO will do this by actively seeking out opportunities to engage with Senators and Members, having an open door policy and being readily accessible to its stakeholders. It will also establish other regular forms of communications, including through the PBO website.

7. Policy Costings

- 7.1. Under Section 64G of the Act, the Parliamentary Budget Officer may, with the agreement of the Secretaries of the Treasury and the Department of Finance and Deregulation (Finance), issue written principles setting out approaches and costing conventions to be used in preparing policy costings. In the absence of such principles the Parliamentary Budget Officer must prepare policy costings using approaches and costing conventions recommended in the most recent Charter Guidelines.
- 7.2. The Charter Guidelines have evolved over the past decade or so and were revised earlier this year by the Secretaries of Treasury and Finance. In these circumstances the PBO does not propose to adopt its own costing conventions at this time.
- 7.3. The PBO will supplement the Charter Guidelines with more detailed internal costing methodologies and protocols. These methodologies and protocols will be consolidated in an operating manual for staff. This will help to ensure that the PBO adopts a consistent and methodologically sound approach to all of its budget analyses and policy costings.
- 7.4. The attached *Summary Guide to Policy Costings – Procedures, Information Requirements and Methodology* dated 28 August 2012 was developed to assist Senators and Members in their dealings with the PBO. It can also be found on the PBO's website. The Guide is consistent with the Charter Guidelines. The PBO will publish further guidance material as issues requiring clarification come to the fore.

- 7.5. Outside of the caretaker period, it is envisioned that there will be considerable scope for the PBO to work with the requestors of policy costings in a measured and interactive manner. This will help to ensure that the assumptions underlying the policy proposals are well understood and fully taken into account in the PBO's costings. It should also help to strengthen the policy development processes, resulting in better informed public policy debates and enhanced budget transparency.
- 7.6. The PBO will ensure that it takes all reasonable measures to maintain the confidentiality of requests and related responses when directed to do so by the requestor. These measures will include putting in place appropriate levels of physical and IT security, ensuring that staff hold appropriate security clearances, encouraging a strong culture of discretion within the PBO, and applying a strict need-to-know policy.
- 7.7. Peer reviews will be a feature of the PBO's approach to its work. Internal and external peer reviews will be utilised on a case-by-case basis depending on the nature and complexity of the work being undertaken.

8. Access to Information

- 8.1. Under Section 64F of the Act, the Parliamentary Budget Officer may make an arrangement in writing with the head of a Commonwealth body to obtain from the body information and documents relevant to the Parliamentary Budget Officer's functions. Such an arrangement may make provision for the confidentiality of the information disclosed or the documents provided.
- 8.2. *A Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in relation to the Provision of Information and Documents* was posted on the PBO's website on 10 October 2012. A copy is attached. The MOU provides the basis for the Parliamentary Budget Officer to obtain from heads of Commonwealth bodies the information that is necessary for the Officer to fulfil his/her mandate.
- 8.3. The MOU has a pro-disclosure bias. It provides in part that "In keeping with the spirit of this MOU the Head (of a Commonwealth body) should aim to provide sufficient relevant information to satisfy each request..." It also provides that "Where, however, it is not possible to release certain information, the Head should provide a written explanation outlining the reason for the non or partial release..." Further, the MOU states that "Prior to the explanation being provided to the Officer, however, the Head should consult with the Secretaries (of Treasury and Finance) to determine whether there are alternative ways of satisfying the request from the Officer."
- 8.4. The MOU places strict obligations on the Parliamentary Budget Officer and the heads of Commonwealth bodies to protect the confidentiality of requests that are made in confidence and the information that is provided in confidence in response to such requests. The Government issued *Australian Government Protocols Governing the Engagement between Commonwealth Bodies and the Parliamentary Budget Officer*

(the Protocols) on 28 September 2012. The Protocols mandate that Ministers and their staff will not ask heads of Commonwealth bodies for any information which would disclose the nature of a confidential request from the Parliamentary Budget Officer. The Government also introduced legislation into the House of Representatives on 10 October 2012 to amend the *Freedom of Information Act 1982* (FOI Act) so that information is not able to be released contrary to the intention of the PBO legislation.

9. Self-initiated Work Program

- 9.1. The PBO's self-initiated work program provides an avenue for the PBO to help to improve budget transparency and promote a better understanding of the budget and fiscal policy settings. As noted in Section 3 of the Work Plan, while immediate priority in 2012-13 will be given to responding to requests from Senators and Members, the PBO's self-initiated work program will represent an important aspect of the PBO's work.
- 9.2. In determining what issues to include in its self-initiated work program in 2012-13 and future years the PBO will, as provided by the Act, seek to anticipate requests for work, including requests by Parliamentary committees. The PBO will also seek to throw more light on the underlying structure of the budget and the factors that could affect the sustainability of the budget over the medium to longer term.
- 9.3. In undertaking this work the PBO will review methodologies used in other jurisdictions and analyse longer term trends in key components of the budget. It will also examine areas of the budget that do not receive regular scrutiny by the Parliament through the annual appropriations process. These areas include special (ongoing) appropriations, accounting for nearly 80% of budget outlays, and tax expenditures that in 2012-13 are estimated to total \$119.3 billion.
- 9.4. Selected post-budget analyses of key aspects of the budget may also be helpful in contributing towards a better understanding of the budget and its key impacts on the economy. The PBO may also publish occasional technical papers on its analytical and costing methodologies.
- 9.5. Senators and Members are encouraged to make suggestions for inclusion in the PBO's 2012-13 and future work programs.

10. Human Resource Management

- 10.1. The PBO's capacity to fulfil its mandate effectively will depend heavily on the skills-base, experience and commitment of its staff. Accordingly, the PBO will seek to attract and retain appropriately qualified, experienced and high-performing staff. It will do this by adopting progressive HR policies, offering competitive remuneration packages, and providing an attractive work environment that is conducive to the nature of the PBO's work.

- 10.2. The PBO will provide equal opportunities for women and men and seek to ensure that there are no barriers to the employment of disadvantaged groups. It will encourage staff development and training, including for the purpose of obtaining and maintaining currency of relevant professional qualifications. The PBO will have a strong focus on performance. It will also make a conscious effort to foster professionalism and a culture of fairness, openness, constructive questioning of the status quo and respect for the individual and their views. The PBO's HR strategy will be underpinned by the Parliamentary Service Act Values and Code of Conduct.
- 10.3. Flexible working arrangements and the recruitment of multi-skilled staff will be important to give the PBO the ability to deploy staff across work groups to meet peak workload demands.

11. The PBO's Accountability and Performance

- 11.1. Under Section 65 of the Act, following the end of each financial year the Parliamentary Budget Officer must provide an annual report to the President of the Senate and the Speaker of the House of Representatives on the activities of the PBO for presentation to both houses of Parliament. This report will relate directly to the activities included in the PBO's annual work plan and other activities that the PBO has undertaken throughout the course of the year. The content of the PBO's annual report will be subject to the confidentiality provisions of the Act.
- 11.2. The PBO will also be held to account through regular dialogue with the JCPAA and appearances before the Senate Finance and Public Administration Legislation Committee.
- 11.3. In addition, Section 64T of the Act provides that after a general election the JCPAA may call for an independent review of the operations of the PBO to be undertaken.
- 11.4. The PBO's performance will be judged by the quality, timeliness and relevance of its outputs as assessed by feedback from key Parliamentary stakeholders. The ongoing demand for the PBO's services will also be an important indicator of the PBO's ability to add value to the work of Senators and Members and the policy development process.