



Parliament of Australia
Parliamentary Budget Office



work plan 2013–14



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Foreword

The commencement of the 44th Parliament sees the Parliamentary Budget Office (PBO) well placed to continue supporting Senators, Members and the work of the Parliament.

The independent and non-partisan mandate of the PBO allows it to engage with parliamentarians and parliamentary committees to help improve the integrity of the policy development process, better inform public policy debates, and strengthen budget and fiscal policy transparency.

The PBO's first year of operation saw a very strong demand for its services in the months leading up to the 2013 general election and during the caretaker period. The work of the PBO during this period helped to level the playing field for non-government parties and independent parliamentarians, in particular by giving them access to costing and budget information services that previously were not available to them.

Notwithstanding the PBO's formal responsibilities, much of the PBO's engagement with parliamentarians to date has been of an informal and iterative nature. This has enabled the PBO to play an effective role in the provision of budgetary information for, and the costing of, a wide range of policy proposals, many of which were ultimately put forward as fully-costed election commitments.

As well as continuing to support parliamentarians and parliamentary committees, a priority for the PBO in 2013–14 will be to devote more resources to its self-initiated program of published research. The program, as outlined in this work plan, extends beyond the current financial year. It focusses on the broad themes of budget sustainability and transparency.

The PBO's recent move to its permanent Parliament House accommodation is a welcome development, not only for staff but also because of the improved accessibility it will provide for parliamentarians wishing to access the services of the PBO.

Phil Bowen PSM FCPA
Parliamentary Budget Officer

18 December 2013

Background

1. 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.
2. The *Parliamentary Service Act 1999* gives the Parliamentary Budget Officer the following functions:
 - a. 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;
 - b. 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;
 - c. to prepare responses (other than policy costings) to requests relating to the budget from Senators and Members, with the requests and the PBO's responses to be kept confidential if so directed by the requestor;
 - d. 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;
 - e. after a general election, to report on the election commitments of designated parliamentary parties; and
 - f. 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.
3. 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) and is to be made publicly available.
4. The PBO's work plan normally is required to be prepared before 1 October each year. The publication of the PBO's 2013–14 work plan was deferred pending consultation with the JCPAA when the Committee reconvened following the 2013 general election.

Enhanced mandate

5. On 22 February 2013, the then Deputy Prime Minister and Treasurer announced the Australian Government's intention to enhance the PBO's fiscal policy analysis and costing capabilities, and expand its mandate by requiring the preparation of a report on the cost of election commitments of designated parliamentary parties after a general election.
6. As well as giving effect to the requirement to produce a post-election report within 30 days of a general election, the Parliamentary Service Amendment (Parliamentary Budget Officer) Bill 2013 enhanced the PBO's access to information from Commonwealth bodies to assist in delivering the report. The Bill also amended the *Taxation Administration Act 1953* to allow the Australian Taxation Office to provide confidential taxpayer data to the PBO for the purposes of the PBO carrying out its statutory functions.
7. A budget measure to provide the PBO with \$4.5 million additional resourcing over five years to enhance the PBO's capability and functions was announced by the Government in the 2013–14 Budget. This additional resourcing enables the PBO to employ an additional six staff on a permanent basis.

Priorities for 2013–14

8. The priorities for the PBO in 2013–14 are:
 - a. to continue to fulfil the PBO's mandate as a responsive and effective independent institution of the Parliament;
 - b. to support parliamentarians through the preparation of policy costings, and the provision of budgetary information and analyses; and
 - c. to continue to publish independent budget and fiscal policy analyses with a focus on budget sustainability and the transparency of the budget and fiscal policy.
9. Details of how the PBO proposes to pursue these priorities are set out in subsequent sections of the work plan.

Working with Senators, Members and parliamentary committees

10. Since its commencement on 23 July 2012, the PBO has been readily accessible to all Senators and Members, and has maintained an open and ongoing dialogue with the Parliament.
11. To date, the PBO has provided Senators and Members with seven guidance documents, which are accessible on the PBO website. To assist parliamentarians with their engagement with the PBO, further guidance will be issued as required.
12. The JCPAA will continue to play an important oversight role in relation to the PBO. The PBO will continue to engage with the JCPAA on a regular basis on the PBO's work plan and resourcing.
13. The PBO will continue to 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.
14. Given the priority placed on supporting Senators, Members and the work of the Parliament, the activities outlined in this work plan may change to ensure priority is given to meeting the demand from key stakeholders.

Policy costings and information requests from Senators and Members

15. Having commenced receiving requests for work in early September 2012, the PBO has experienced a high level of demand from Senators and Members. Since its inception the PBO has received more than 1,000 requests for policy costings, and budget information and analyses. Apart from a small number of requests that lapsed or were withdrawn, the PBO has responded to all requests received to date.

16. The time taken to respond to requests from parliamentarians has improved progressively to an average of seven business days in the September quarter 2013. The improvement reflects the increase in PBO staff numbers, the bedding down of processes and procedures, the development of models and modelling capability, and better access to necessary data.
17. In 2013–14, the PBO will continue to refine its processes to maximise its responsiveness to requests from parliamentarians.

2013 general election

18. From early 2013, the PBO began preparing for the increased workload associated with the 2013 election. Preparations included 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.
19. The PBO also worked closely with the Department of the Treasury and the then Department of Finance and Deregulation to settle the arrangements for handling costing requests during the election period. This included establishing arrangements for accessing information in a more streamlined manner, and avoiding duplication in the preparation of costing responses.
20. The PBO also engaged professional services firms to provide additional contractor resources to support the PBO's analytical divisions during peak periods.
21. In total, the PBO received 85 costing requests during the caretaker period, which were completed in an average of two business days. With one exception, the costings were completed within the five business day guideline in the *Charter of Budget Honesty Policy Costing Guidelines*. One costing was delayed due to the time taken to receive additional information from the requesting parliamentary party.

Post-election report of election commitments

22. Consistent with its legislation, the PBO prepared a post-election report of the election commitments of designated parliamentary parties. This report was published on the PBO's website on 18 October 2013, 30 days after the end of the caretaker period for the 2013 election.
23. For each designated parliamentary party, the post-election report included costings of all the election commitments of that party that the Parliamentary Budget Officer, in his best professional judgement, reasonably believed would have a material impact on the Commonwealth budget estimates for the current financial year and the following three financial years, along with the total combined impact of those commitments on the budget.

Self-initiated work program

24. As outlined in the PBO's 2012–13 work plan, the PBO's self-initiated work program in 2013–14 continues to focus on the sustainability of the budget over the medium term. It also seeks to help improve budget transparency and promote a better understanding of the budget and fiscal policy settings.
25. In 2012–13 and for much of the first half of 2013–14 the PBO's priority has been to respond to requests from parliamentary parties and individual parliamentarians for policy costings and budget analyses in the months leading up to the 2013 election. Significant resources have also been allocated to the preparation of the post-election report of election commitments.
26. The PBO released its first self-initiated report on *Estimates of the structural budget balance of the Australian Government 2001–02 to 2016–17* on 22 May 2013. This report reviewed estimation methodologies from international literature and presented estimates of the structural budget balance within a band of uncertainty based on assumptions of the upper and lower bounds of the structural level of the terms of trade.

27. There is value in this analysis being undertaken on a regular basis to monitor the movements in the structural budget balance over time. The regular inclusion of analyses of the structural budget balance in future budgets, and economic and fiscal outlook reports would help to continue to focus policy makers on the appropriate fiscal policy responses to major cyclical and one-off impacts on the budget.
28. The PBO's report on *Australian Government spending, Part 1: Historical trends from 2002–03 to 2012–13* was published on 10 December 2013. The report examines real growth in government spending compared with growth in real GDP over the past decade.
29. The report includes a consistent time series of spending data at the functional and sub function level. The PBO compiled the data time series by back-casting reported spending to adjust for changes in the classification of spending.
30. This consistent time series of disaggregated spending data is not otherwise published. The compilation and publication of this data series on an ongoing basis would assist the work of fiscal policy makers in the future.
31. The PBO's self-initiated work program will focus on the following broad areas of work over the next few years:
 - a. Trends in Australian Government expenditure – examination of historic and projected trends in expenditure at both a functional and program level, to provide an insight into the drivers of government spending and future pressures that may impact on the sustainability of the budget. This will include analysis at a whole-of-government level but also more detailed studies of particular areas of expenditure.
 - b. Trends in Australian Government revenue – analysis of trends by revenue head, such as income taxes and indirect taxes, and an examination of the economic and policy drivers of these trends.
 - c. Sensitivity of expenditure and revenue estimates – analysis of the sensitivity of expenditure and revenue estimates to changes in key assumptions and economic parameters, including estimation and modelling of these sensitivities and consequences for the fiscal position over the short and medium term.
 - d. Commonwealth/State fiscal issues – analysis of Australia's national fiscal trends reflecting the position of the Commonwealth and the States/Territories, including key funding pressures across the levels of government and the budget interactions between governments.

- e. Distributional impacts of policies – development of methodologies and tools for analysis of the impacts of expenditure programs and tax expenditures across different cohorts of the population, including the assessment of the overall progressivity of the tax and transfer system.
 - f. Approaches to the costing of policy proposals – examination of current practice and alternative approaches to costings, including consideration of static and dynamic costing models and if, when and how to take into account second round effects in costings.
 - g. Budget reporting – examination of best practice in relation to key aspects of budget reporting. This will include comparisons of approaches taken by other countries and Australia’s States/Territories, with a focus on the transparency and accessibility of budget information.
 - h. Fiscal responsibility frameworks – examination of the role of fiscal responsibility frameworks, including fiscal rules, and their effectiveness in supporting fiscal discipline.
 - i. Capital budgeting – analysis of approaches to capital budgeting and reporting internationally and across the various levels of government in Australia, including the role of capital budgeting in facilitating cost effective infrastructure development by the public and private sectors, and prudent management of government balance sheets.
32. Individual projects may in some cases cover more than one of the above topics where they are relevant to a particular subject. The topics will be explored in a number of formats, including conceptual pieces that establish frameworks for analysis, analytical pieces that build and examine information and data sets on the budget, and technical pieces that explain aspects of budget and fiscal policy frameworks or analytical and costing methodologies.
33. In determining the subject of individual elements of the annual self-initiated work program, the PBO will seek to anticipate requests for work, including from parliamentary committees. Accordingly, the self-initiated work program is intentionally dynamic and may change in response to this demand. Additional analyses, not outlined in this work plan, may also be undertaken should new topics for analysis emerge.

34. In 2013–14, it is proposed that work will be undertaken on a number of these topics, with a focus on the following publications:
- a. an analysis of forecast Australian Government spending trends at the functional and sub-functional level over the period 2012–13 to 2016–17, including drivers of spending and major consequences for the medium term;
 - b. an analysis of the sensitivity of medium term projections of the budget position to economic parameters and other assumptions;
 - c. an initial examination of long run revenue trends; and
 - d. a time series analysis of expenditure trends within one of the major functions such as social security and welfare or health.

Access to information

35. The Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in relation to the Provision of Information and Documents (MoU) has provided a reasonable basis for the PBO to gain access to the information it needs to perform its functions.
36. The PBO has developed collaborative working relationships with a wide range of Commonwealth bodies. Since its inception the PBO has sent almost 600 requests for information to Commonwealth bodies under the MoU arrangements and received responses to almost all requests.
37. Response times to PBO requests have improved as departments and agencies have established internal processes for the provision of information to the PBO. For the September quarter 2013 around 55 per cent of requests were responded to by the due date. The remaining requests were late on average by one business day. Only a small proportion remained outstanding for extended periods of time.
38. During the 2013 caretaker period and to assist with the preparation of the post-election report, the PBO sent more than 100 requests for information to Commonwealth bodies and received responses to all requests. The average response time was four business days.
39. In 2013–14, the PBO will continue to engage with Commonwealth bodies to obtain information as required and work with them to further improve the timeliness of responses.

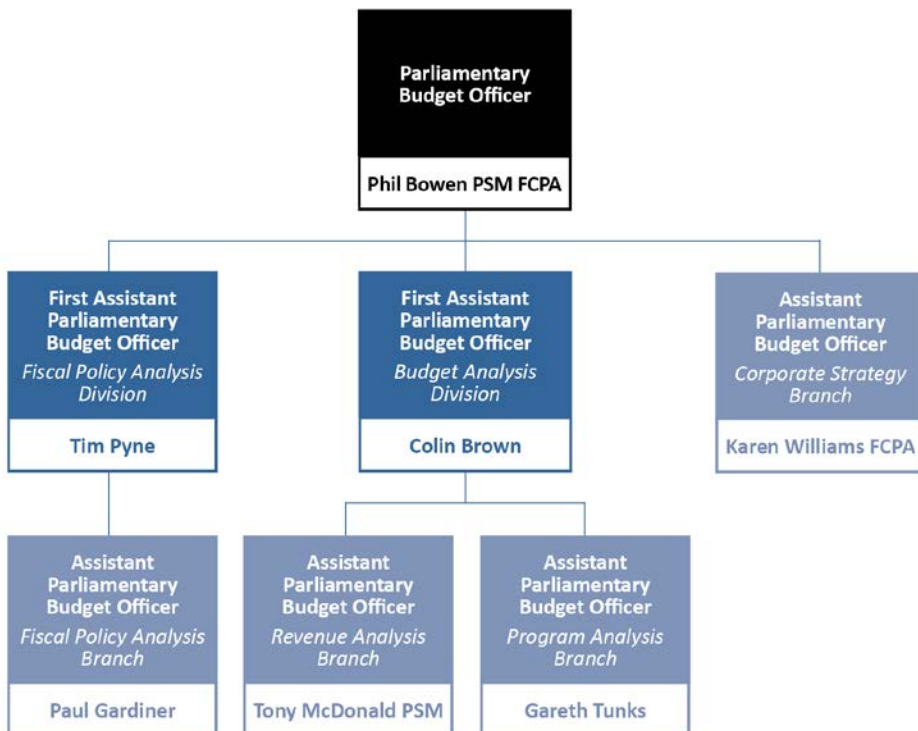
Organisational management

Structure

40. To support the Parliamentary Budget Officer, the PBO's organisational structure comprises:

- a. Budget Analysis Division, responsible for budget analyses and policy costings;
- b. Fiscal Policy Analysis Division, responsible for fiscal policy analyses, leading the PBO's self-initiated work program, and coordinating the post-election report of election commitments; and
- c. Corporate Strategy Branch, responsible for developing and implementing the PBO's corporate strategies and policies, managing the delivery of the PBO's corporate services, and meeting the PBO's compliance obligations.

41. The PBO's current organisation structure and senior staffing is as follows:



Governance

42. The Parliamentary Budget Officer is supported in the governance of the PBO by the following bodies:
- a. The PBO Executive, made up of the Parliamentary Budget Officer and SES officers, that advises the Parliamentary Budget Officer on PBO-wide issues; and
 - b. the Audit Committee, comprising two independent members (including the Chair) and the Assistant Parliamentary Budget Officer, Corporate Strategy Branch, that provides the Parliamentary Budget Officer with independent assurance and advice in relation to the PBO's governance risk, control and compliance framework, and its external accountability responsibilities.

Staffing

43. Since its establishment, the PBO has placed high priority on recruiting appropriately qualified, experienced and high performing staff. Currently the PBO has 36 staff. The PBO's budget for 2013–14 allows for the employment of approximately 40 staff, with the majority working in the PBO's analytical divisions.
44. As Parliamentary Service employees, all PBO staff are subject to the Parliamentary Service Act Values and Code of Conduct. Individual staff performance and career development is managed consistent with the PBO's Performance Management Framework.

Capacity development

45. Since its inception, the PBO has focused on building its capacity to conduct its analytical work. This has included developing an operations manual, compiling models and data repositories, and actively engaging with relevant Government agencies.
46. The PBO's operations manual provides detailed information on working arrangements, the costing process, management of records, modelling and data resources. Further investment to build data repositories and develop financial and economic models will be an area of ongoing focus for the PBO in 2013–14.

Corporate services

47. To minimise the staff and resources dedicated to corporate services, the PBO entered into an interim shared services agreement with the Department of Parliamentary Services (DPS) in 2012–13. The agreement covers the provision by DPS of the PBO's back-office services, including finance, human resources, procurement and information technology services.
48. The PBO is working closely with DPS to finalise a corporate services MoU which will cover the services provided to the PBO by DPS, the service level standards that will apply, and the basis for DPS to charge the PBO for the services it provides.
49. In August 2013, the PBO and the Department of the House of Representatives finalised an MoU covering the provision of payroll services by that department to the PBO.

Accommodation

50. Since its commencement, the PBO has been located in Parliament House. Until recently, the PBO has occupied temporary accommodation variously provided by the Department of the Senate, the Department of the House of Representatives, and DPS.
51. The PBO moved to its permanent accommodation in Parliament House on 21 October 2013. This accommodation is readily accessible to parliamentarians and provides a self-contained and secure working environment.

Information technology

52. Given the sensitivity of the PBO's work, the PBO's long-term information technology needs cannot be met satisfactorily by the mainstream parliamentary computing network.
53. In light of this, the PBO engaged DPS to develop a dedicated secure information technology network. The project was completed in December 2013.

Allocation of resources

54. The PBO's departmental appropriation for 2013–14 is \$7.7 million. As outlined in its 2013–14 Portfolio Budget Statements, the departmental appropriation comprises base funding (including an additional \$500,000 to assist the PBO to meet expected increased demand both in the lead up to and during the caretaker period for the 2013 election) and additional funding arising from the 2013–14 budget measure to enhance the PBO's capability and functions. The departmental appropriation also reflects the PBO's share of funding reductions arising from targeted savings measures announced in the 2013–14 Budget.
55. Employee expenses for the PBO's staff represent the majority (\$5.9 million) of the PBO's ongoing expenses in 2013–14. The PBO's other major expense in 2013–14 relates to supplier expenses (\$1.8 million), the bulk of which comprises corporate services, and variable costs associated with the use of specialist contract and technical resources in peak periods.
56. The PBO also expects to spend \$2.4 million in 2013–14 to meet the balance of its capital expenditure on its permanent accommodation and secure information technology network. This will be funded from the previous year's unspent appropriation and cash reserves.
57. In addition to its departmental resourcing, the PBO has a \$6.0 million special appropriation provided under section 64D of the Parliamentary Service Act.

Accountability and performance

58. Under Section 65 of the Parliamentary Service 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.
59. The PBO's annual report relates 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 continues to be subject to the confidentiality provisions of the Parliamentary Service Act.

60. 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. At the 2013–14 Budget Estimates hearings in May 2013, the PBO commenced providing the Committee with costing statistics and staffing data, and intends to continue providing this reporting in advance of future Senate Estimates hearings.
61. In addition, Section 64T of the Parliamentary Service Act provides that after a general election the JCPAA may call for an independent review of the operations of the PBO to be undertaken. Such a review must be completed within nine months after the end of the caretaker period.
62. The Australian National Audit Office has commenced a performance audit of the operations of the PBO with an expected completion date of June 2014.
63. More recently, the National Commission of Audit has been charged with identifying options for strengthening Commonwealth budgeting arrangements, including by examining the role of the PBO.
64. The PBO's performance will be judged by the quality, timeliness, relevance and usefulness of its outputs as assessed by feedback from key parliamentary stakeholders. The independence and transparency of the PBO's processes will also be another important indicator of performance.



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