



Parliamentary Budget Office
work plan **2014–15**

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Foreword

In 2014–15 the Parliamentary Budget Office (PBO) will focus on continuing to help level the playing field for parliamentary parties and independent parliamentarians and enhance the transparency of the budget and fiscal policy settings.

The majority of the PBO's resources will continue to be allocated to responding to requests for costings and budget analyses from parliamentarians. Experience to date suggests that these services which are available to all parliamentarians will continue to be in high demand, in particular from non-government parties and independent parliamentarians who, unlike the Government, do not have access to such services from departments of state.

Increasingly, public discussion on fiscal sustainability is concentrating on the impact of the budget over the next decade (the medium term), rather than simply over the forward estimates period (the budget year plus the three forward years). The Government publishes aggregate projections of payments, receipts and the underlying cash balance over the medium term. However, official projections of key heads of revenue and major expenditure programs are not published.

The PBO's published research will continue to inform parliamentarians and the public on the budget and fiscal policy settings and increasingly focus on highlighting medium term budget issues and their implications for fiscal sustainability.

Mindful of its need to serve the Australian Parliament effectively and to be held to account appropriately, the PBO will develop a stakeholder survey in 2014–15 to provide a systematic basis for stakeholders to give constructive feedback to the PBO on the services it provides along with suggestions for ongoing improvement.

Phil Bowen PSM FCPA
Parliamentary Budget Officer

26 September 2014

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* (Parliamentary Service Act) 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, before 1 October each 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.

Priorities for 2014–15

- 4 The priorities for the PBO in 2014–15 are to:
 - a prepare high quality policy costings and budget analyses at the request of parliamentarians in a timely manner
 - b 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

- c engage effectively with parliamentary committees, and
- d enhance the PBO's capability to more effectively fulfil its mandate to the Australian Parliament.

Allocation of resources

- 5 More than half of the PBO's resources are nominally allocated to the preparation of costings and budget analyses. This is the most resource intensive of the PBO's functions.
- 6 The published research program and related activities nominally account for less than one third of the PBO's resources.
- 7 Operational staff are able to be deployed on a flexible basis. Accordingly, the allocation of resources to the above activities varies from time to time to meet varying workload demands.
- 8 A small core of staff is dedicated to managing the PBO's corporate service delivery and compliance functions.

Policy costings and budget analyses

- 9 Based on experience since early in 2014, the demand from parliamentarians for policy costings and budget analyses is expected to be maintained at a consistently high level throughout 2014–15.
- 10 The time taken to respond to requests depends on a range of factors such as the complexity of the policy underlying the request, the data and models held by the PBO, the information required from Commonwealth agencies, and the level of workload and competing priorities in the PBO.
- 11 The PBO will continue to interact with parliamentarians formally and informally to make the costing and budget analysis processes as streamlined as possible. With a view to maximising its responsiveness to requests from parliamentarians, the PBO is proactively gathering information and building expertise to use in possible future costings and analyses.
- 12 Where there are multiple requests from a parliamentary party or an individual parliamentarian, the PBO will consult with them to identify their priorities.
- 13 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) continues to provide a reasonable basis for the PBO to gain access to the information it needs to perform its functions.

- 14 In 2014–15, the PBO will continue to build effective working relationships with Commonwealth agencies to facilitate the timely provision of information to the PBO. An option being pursued is the expanded automatic provision of information by agencies to the PBO after each fiscal update.

Published research

- 15 The PBO's self-initiated work program 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.
- 16 In August 2014, prior to publishing this work plan, the PBO released a report on *Projections of Government spending over the medium term*.
- 17 This report focussed on the outlook and drivers of Australian Government spending over the period 2012–13 to 2024–25 to help inform discussion about the sustainability of spending over the medium term.
- 18 The PBO also plans to publish the following research papers in 2014–15:
- a an analysis of the sensitivity of the budget estimates over the medium term to changes in key economic parameters
 - b projections of Government revenue by major revenue head over the medium term and key economic drivers of these projections
 - c an analysis of Australia's national fiscal trends reflecting the revenue, expenditure and balance sheet positions of the Commonwealth and the States/Territories, and the transfers between governments
 - d an examination of the circumstances when a policy costing should take into account economy wide impacts (or second round effects), and how this differs from the inclusion of direct behavioural responses in policy costings, and
 - e an assessment of the trends in and drivers of spending on health programs other than Medicare, the Pharmaceutical Benefits Scheme and public hospitals.
- 19 The PBO also plans to publish chart packs, similar to *2014–15 Budget and forward estimates – charts*, published in June 2014, in response to current fiscal issues, including major fiscal updates. The chart packs seek to illustrate the key features of major fiscal updates with the aim of making the information more accessible.

- 20 Additional analyses may also be undertaken, as resources permit, on issues including:
- a particular areas of expenditure that have contributed significantly to spending growth over the past decade
 - b specific revenue issues, such as the drivers of GST and the likely direction of future consumption trends, and
 - c technical issues, such as a framework for undertaking distributional analysis of policy proposals to determine the impact of those policies on affected populations.

Engagement with parliamentary committees

- 21 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.
- 22 In addition, in 2014–15 the PBO will assist the JCPAA with its inquiry into the operations of the PBO. The inquiry was established in the wake of the June 2013 report of the Auditor-General into the administration of the Parliamentary Budget Office and the March 2014 report of the National Commission of Audit.
- 23 The PBO will also continue to appear regularly before the Senate Finance and Public Administration Legislation Committee. Prior to each hearing, the PBO will provide this committee with an up-to-date report on its activities since the previous hearing.
- 24 The PBO will also respond to requests for assistance from other parliamentary committees on issues that fall within its mandate.

Capability building

- 25 The PBO will continue to build its capabilities with a view to enhancing its ability to respond to requests for costings and analyses of the budget from parliamentarians and to meeting its objective of improving public understanding of the budget. Areas for development include the acquisition and use of detailed datasets, in-house development of models covering major demand driven expenditure programs and elements of the tax and transfer systems, and more in-depth analyses of data and modelling results.
- 26 The PBO will also invest in developing and maintaining a strong understanding of policy issues. This is important in order to understand the context of policy costing requests and their relationship to other policy areas with which they may interact.

- 27 Capability building will also focus on improving the quality and reliability of costings and analyses by developing staff and documenting processes. Staff training will also focus on better utilising detailed datasets to perform more in-depth analysis of modelling results.
- 28 The development and acquisition of data and models will increasingly require the PBO to devote resources to maintaining the capabilities that it develops. This will be important in ensuring that the PBO maintains its responsiveness to parliamentarians and consistently maintains the quality of its outputs.

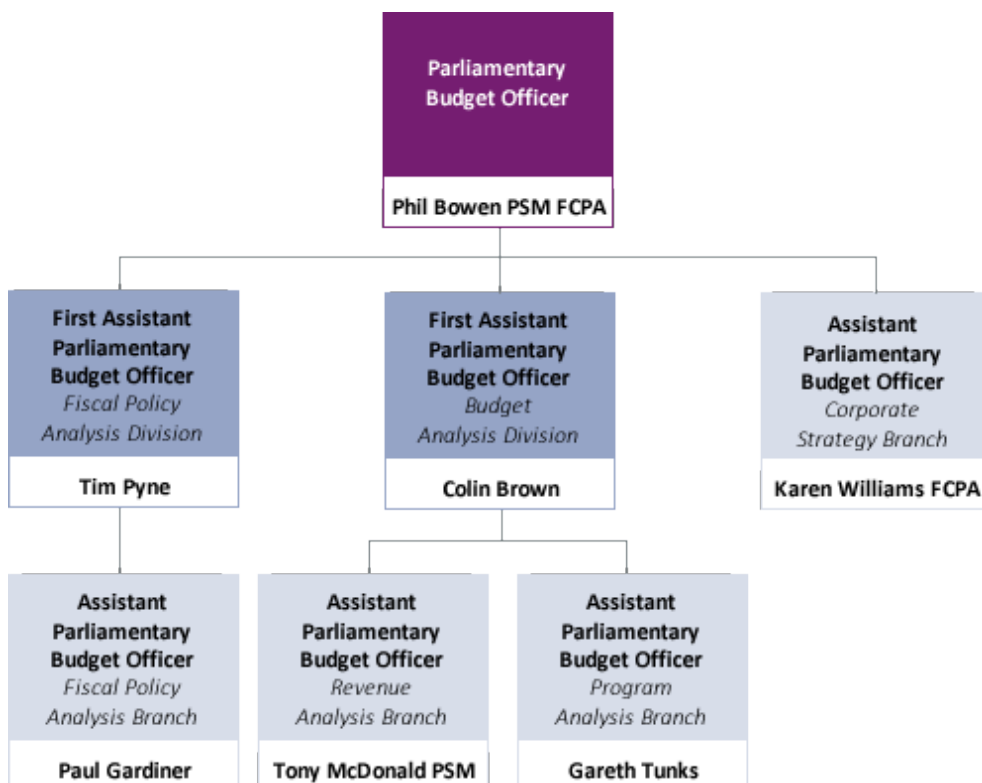
External engagement

- 29 The PBO will continue to engage with other institutions and bodies as part of its ongoing operations.
- 30 The Parliamentary Budget Officer is a member of the Organisation for Economic Cooperation and Development (OECD) Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions. The OECD network meets annually to share experiences and discuss issues relating to the mandates and operations of independent fiscal institutions around the world.
- 31 The International Monetary Fund (IMF) and the World Bank are also represented in these OECD network meetings since they are supporting the establishment of independent fiscal institutions in a range of non-OECD countries.
- 32 The First Assistant Parliamentary Budget Officer, Budget Analysis Division chairs the OECD Committee of Fiscal Affairs (CFA) Working Party No. 2 on Taxation Policy and Statistics. This committee meets twice yearly to discuss issues relating to the measurement and analysis of tax policy issues and reports to the CFA on a regular basis. A major focus of the current work of the working party is the measurement of the impact of corporate tax base erosion and profit shifting.
- 33 The PBO engages 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 identification of areas for cooperation between the PBO and the Institute.
- 34 In the preparation of reports under the PBO's self-initiated work program, the PBO engages with external reviewers to seek comments and suggestions on the draft reports. External reviewers vary according to the subject of the report but include other independent fiscal institutions, university academics, private sector economists, and researchers from think tanks.

Organisation and resourcing

Structure

- 35 The PBO's organisational structure is unchanged for 2014–15 and 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.
- 36 The PBO's organisational structure and senior staffing is as follows:



Governance

- 37 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 Senior Executive Service (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.
- 38 In April 2014, the PBO implemented its risk management framework and policy. This document outlines how the PBO manages risk through its policies, processes and structures. The management of risk forms an important part of the PBO's governance arrangements and informs the allocation of resources. In July 2014, the PBO's first agency Risk Management Plan was finalised, outlining the PBO's key strategic risks, current controls and further risk treatment strategies. In addition, risk planning continues to be embedded at various levels in the PBO and is now incorporated into operational divisional and branch work planning activities.

Budget

- 39 The PBO's departmental appropriation for 2014–15 is \$7.0 million. Employee expenses for the PBO's staff represent the majority (\$6.0 million) of the PBO's ongoing expenses in 2014–15. The PBO's other major expense in 2014–15 relates to supplier expenses (\$1.4 million), the bulk of which comprises outsourced corporate services and notional accommodation expenses.
- 40 In addition to its departmental resourcing, the PBO has a special appropriation provided under section 64D of the Parliamentary Service Act. As at 1 July 2014, the PBO had \$5.3 million special appropriation available. The PBO expects to utilise \$0.3 million of the special appropriation in 2014–15, mainly for the development of a new workflow management system.

Staffing

- 41 The PBO's budget for 2014–15 allows for the employment of approximately 40 staff, with the majority working in the PBO's analytical divisions. As at 1 July 2014 the PBO had 36 staff. As at the date of this work plan further recruitment has been undertaken to bring the staffing level to 39.

- 42 As Parliamentary Service employees, all PBO staff are subject to the Parliamentary Service Act Values, Employment Principles and Code of Conduct. Individual staff performance and career development is managed consistent with the PBO's Performance Management Framework.
- 43 Since the establishment of the PBO, all non-SES employees have been engaged on common law agreements. Following the release of the Australian Government Public Sector Workplace Bargaining Policy in March 2014, the PBO is reviewing and updating its employment arrangements.
- 44 In 2014–15, the PBO will develop a learning and development framework to identify and formalise capability building pathways. In addition, the PBO will develop a succession plan for key roles.

Corporate services

- 45 To minimise the staff and resources dedicated to corporate services, the PBO has shared services arrangements with other parliamentary departments for the delivery of the PBO's back-office services. These include financial, payroll, records management and information technology services and assistance with the development of human resources policies.
- 46 During 2014–15 the PBO will review the effectiveness of these arrangements.

Accountability and performance

- 47 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.
- 48 The PBO is also held to account through regular dialogue with the JCPAA and appearances before the Senate Finance and Public Administration Legislation Committee. As mentioned in paragraph 23, the PBO will continue to provide this committee with an activity report in advance of each hearing.
- 49 The Australian National Audit Office (ANAO) undertook a performance audit of the administration of the PBO following the 2013 election and tabled its report on 5 June 2014.

- 50 The ANAO reported that “Since commencing operation in July 2012, the PBO has effectively undertaken its statutory role and is already regarded as an authoritative, trusted and independent source of budgetary and fiscal policy analysis.”¹
- 51 The ANAO made one recommendation to improve the reporting of agency administrative costs in PBO costings. The PBO agreed with the recommendation and has implemented it.
- 52 On 17 July 2014, the JCPAA resolved to inquire into and report on the operations of the PBO, with specific regard to:
- PBO statutory information gathering powers and access to information, including the Contingency Reserve
 - PBO reporting of Government progress against a new set of fiscal rules, as recommended by the National Commission of Audit
 - PBO reporting against medium-term projections of fiscal outlook beyond the forward estimates
 - best practice for independent fiscal institutions—as identified by the International Monetary Fund
 - PBO implementation of the recommendation from the ANAO Report No. 36 (2013–14), and
 - the need for any legislative change.
- 53 The PBO provided a submission to the JCPAA inquiry on 12 August 2014 and appeared at a public hearing of the Committee on 28 August 2014.
- 54 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.
- 55 To assist the PBO in continuing to fulfil its mandate as a responsive and effective independent institution of the Parliament, the PBO will develop and implement a repeatable stakeholder survey in 2014–15. This will enable a comparative analysis of stakeholder feedback over time and identify possible opportunities to enhance the services the PBO provides.

1 Australian National Audit Office, Audit Report No. 36 2013–14, *The Administration of the Parliamentary Budget Office*, p. 18.