



Parliamentary Budget Office
work plan **2015–16**

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Foreword

This work plan is prepared in accordance with section 64Q of the *Parliamentary Service Act 1999*. It also serves as the corporate plan for the Parliamentary Budget Office (PBO) for the period 2015–16 to 2018–19 as required by section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

This year marks the PBO's fourth year of operations. Feedback from stakeholders suggests that the PBO is continuing to help level the playing field for all parliamentarians and enhancing the transparency of the budget and fiscal policy settings.

It is important that the PBO does not rest on its laurels but seeks to continue to improve the value that it adds to the proper functioning of the democratic process. The PBO's 2015–16 work plan outlines the initiatives that the PBO is taking to build on its performance to date.

The work plan sets out the steps the PBO is taking within its current budget to improve its responsiveness to requests from parliamentarians for costings and budget analyses, particularly given the expected increase in demand in the lead up to the next general election.

The fiscal sustainability challenges facing Australia remain significant. As documented in the work plan, the PBO's published research will continue to highlight the impact of current fiscal policy settings on the robustness of the medium-term budget outlook.

Phil Bowen PSM FCPA
Parliamentary Budget Officer

27 August 2015

Background

- 1 The Parliamentary Budget Officer is an independent statutory officer of the Australian Parliament and head of the Parliamentary Budget Office (PBO).
- 2 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.
- 3 In particular, the PBO aims to help level the playing field for all parliamentarians by providing access to costing and budget analysis services, and enhance the transparency and public understanding of election commitments and the budget and fiscal policy settings.
- 4 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 parliamentarians, with the PBO's responses to be made public
 - 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 public
 - e after a general election, to report on the election commitments of designated parliamentary parties
 - 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 public.
- 5 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 public.

Priorities

- 6 The priorities for the PBO in 2015–16 are to:
 - a augment its workforce and continue to build its capability to accommodate the anticipated increased demand for policy costing services in the lead up to the next general election
 - b prepare high quality policy costings and budget analyses at the request of parliamentarians in a timely manner
 - c publish research that promotes a better public understanding of the budget and fiscal policy settings with a particular focus on the sustainability of the budget over the medium term
 - d engage effectively with parliamentary committees.
- 7 Over the period 2016–17 to 2018–19, the PBO’s priorities are expected to be broadly consistent with the above, except for the augmentation of the workforce which will occur every three years in line with the electoral cycle.

Allocation of resources

- 8 Approximately two thirds 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. In the lead up to the next general election, resources for this function will be augmented to meet the anticipated increased demand for these services.
- 9 The published research program and related activities nominally account for approximately one quarter of the PBO’s resources.
- 10 Staff are deployed on a flexible basis as operational needs dictate. Accordingly, the allocation of resources to the above activities varies from time to time to meet varying workload demands.
- 11 A small core of staff is dedicated to managing the PBO’s corporate service delivery and compliance functions.
- 12 In May 2015, the PBO initiated a secondment program with selected Commonwealth agencies to seek assistance in augmenting the PBO workforce. Seconded staff will require strong quantitative analysis skills and an aptitude for economic and financial modelling across a range of program areas. The PBO plans to build on this secondment program over the 2015–16 year.
- 13 The PBO also intends to continue to participate in the Parliament of Australia Graduate Program to supplement its workforce with three to four graduates per year for a three to six month placement each.

Policy costings and budget analyses

- 14 Throughout 2014–15, the demand from parliamentarians for policy costings and budget analyses continued at a steady rate, with escalated demand in the April–June 2015 quarter. During 2015–16, the demand for these services is expected to continue at high levels as the general election draws closer.
- 15 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 within the PBO.
- 16 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.
- 17 Where there are multiple requests from a parliamentary party or an individual parliamentarian, the PBO will continue to consult with them to identify their priorities.
- 18 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.
- 19 The PBO will continue to build and maintain effective working relationships with Commonwealth agencies to facilitate the timely provision of information to the PBO. The PBO currently has arrangements with the Departments of Finance and Treasury for the automatic provision of information after each fiscal update. During 2015–16, the PBO will also seek to put in place similar arrangements with other agencies.

Published research

- 20 The PBO's self-initiated research program continues to focus on issues that impinge on the sustainability of the budget over the medium term. It also seeks to help improve budget transparency and promote a better public understanding of the budget and fiscal policy settings.
- 21 The PBO plans to release the following regular publications after major fiscal updates:
 - a medium-term (10 year) projections of receipts and payments will be released following each budget, with an analysis of the sensitivity of the projections to changes in major economic parameters to help identify the key risks to the fiscal outlook
 - b chart packs, providing a graphical summary of the fiscal update and highlighting the impacts of policy decisions and parameter changes, will be released after each budget and mid-year update.
- 22 The PBO plans to publish research in 2015–16 on the following issues:
 - a the importance of sustainable public debt to the health of the Australian economy
 - b an update of the national fiscal position published in *National fiscal trends* in April 2015 to reflect the 2015–16 budgets of the Australian Government and the states and territories, including the impact of revised Commonwealth funding for public hospitals and schools
 - c the drivers of Medicare spending over the past decade together with projections of Medicare spending by major categories over the medium term
 - d the drivers of spending on health programs other than Medicare, the Pharmaceutical Benefits Scheme and public hospitals, historically and over the forward estimates
 - e the drivers of spending on the Disability Support Pension over the past decade together with projections over the medium term
 - f the costs and risks associated with the Higher Education Loan Program and their presentation in the budget papers
 - g the distributional impacts of the Goods and Services Tax (GST) and GST concessions
 - h the taxation treatment of alcoholic beverages to illustrate the wide range of tax arrangements applying to these products.
- 23 Over the period 2016–17 to 2018–19 the PBO's self-initiated research program will continue to include the production of regular medium-term budget projections and chart packs. It will also continue to focus on topical issues, with the aim of enhancing the transparency of the budget and improving the level of understanding of Australia's fiscal challenges amongst parliamentarians and the general public.

- 24 Analyses that are proposed to be published early in the post-2015–16 period include:
 - a medium-term projections of the Pharmaceutical Benefits Scheme, taking into account the impact of the expiry of patents for major drugs
 - b the drivers of Age Pension spending over the past decade and projected over the medium term, including the impact of policy decisions and the ageing of the population
 - c the budgetary implications of the current superannuation arrangements over the medium term.
- 25 The PBO intends to publish a technical note on when it is appropriate for a policy costing to take into account economy-wide impacts (second round effects), and how this differs from the inclusion of direct behavioural responses in policy costings. Resources permitting, this paper will be published in 2015–16 or early in the post-2015–16 period.

Engagement with parliamentary committees

- 26 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.
- 27 The PBO will continue to appear regularly before the Senate Finance and Public Administration Legislation Committee. The PBO will continue its practice of providing this Committee with an up-to-date report on its activities prior to each hearing.
- 28 Additionally, the PBO will respond to requests for assistance from parliamentary committees on issues that fall within its mandate.

Capability building

- 29 The PBO will continue to build its capabilities with a view to enhancing its ability to respond to parliamentarians' requests for costings and budget analyses, and 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.
- 30 The PBO will 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.

- 31 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.
- 32 The PBO proposes to implement a new workflow management system to replace a number of Excel spreadsheet-based registers currently used to keep track of requests received from parliamentarians and requests for information sent from the PBO to Commonwealth agencies.
- 33 The new system will improve the PBO's productivity by automating a number of processes that are currently undertaken manually, allowing simultaneous multi-user access, streamlining the monitoring and reporting of key workflows, and simplifying record keeping processes.
- 34 It is expected that the new workflow management system will be operational in early 2016. The cost of the new system will be met from the PBO's existing funding.

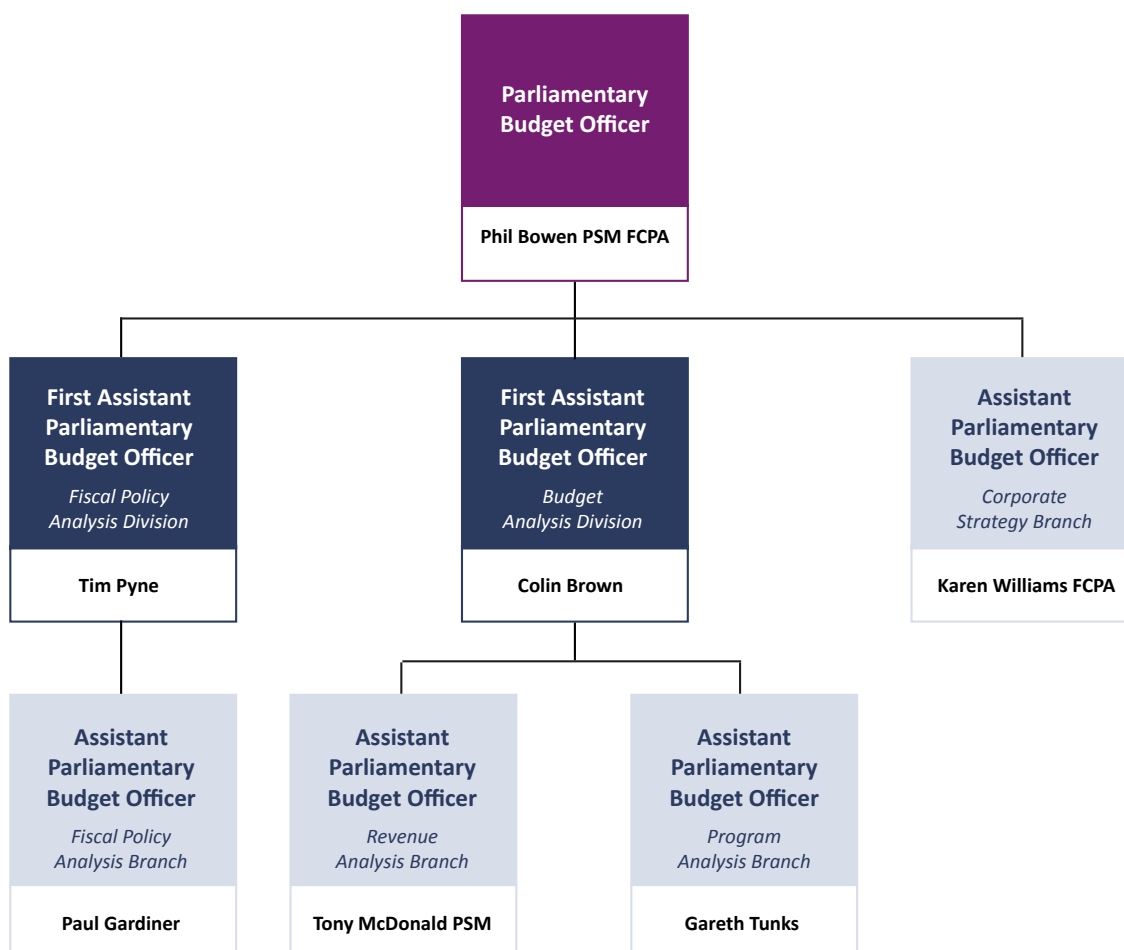
External engagement

- 35 The PBO will continue to engage with other institutions and bodies as part of its ongoing operations.
- 36 The Parliamentary Budget Officer is a member of the Organisation for Economic Co-operation 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.
- 37 The International Monetary Fund and the World Bank are also represented in these OECD network meetings.
- 38 The First Assistant Parliamentary Budget Officer, Budget Analysis Division will continue to chair the OECD Committee of Fiscal Affairs Working Party No. 2 on Taxation Policy and Statistics through to the end of 2015 when his term ends. A major focus of the working party is the measurement of the impact of corporate tax base erosion and profit shifting.
- 39 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.
- 40 In the preparation of reports under the PBO's self-initiated research program, the PBO engages with external reviewers to seek comments and suggestions on pre-publication draft reports. 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

- 41 The PBO's organisational structure comprises:
- a **Budget Analysis Division**, responsible for preparation of budget analyses and policy costings
 - b **Fiscal Policy Analysis Division**, responsible for leading the PBO's self-initiated research program and coordinating the post-election report of election commitments
 - 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.
- 42 The PBO's organisational structure and senior staffing is as follows:



Governance

- 43 The Parliamentary Budget Officer is supported in the governance of the PBO by the following bodies:
- a the PBO Executive, comprising the Parliamentary Budget Officer and Senior Executive Service (SES) officers, that advises the Parliamentary Budget Officer on PBO-wide issues
 - 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.
- 44 The PBO's risk management framework and policy outlines how it 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. Risk planning continues to be embedded at various levels in the PBO including in operational divisional and branch work planning. The PBO's risk management policy is in accordance with the *Commonwealth Risk Management Policy*.

Budget

- 45 The PBO's departmental appropriation for 2015–16 is \$7.4 million which includes additional funding to allow the PBO to augment its permanent workforce in the lead up to a general election. Employee expenses at \$6.3 million represent the majority of the PBO's expenses in 2015–16.
- 46 Over the forward estimates period, the PBO's departmental appropriation will return to a similar amount as in 2014–15 (approximately \$6.9 million), increasing again in the third forward year in the lead up to the general election after next.
- 47 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 2015, the balance of the special appropriation stood at \$5.3 million.

Staffing

- 48 The PBO's budget allows for the ongoing employment of approximately 40 full-time staff, with the majority working in the PBO's analytical divisions.
- 49 As the PBO has matured as an organisation it has experienced some staff turnover which is to be expected. Accordingly, from time to time the PBO will recruit above its ongoing establishment to help ensure that it is adequately staffed, particularly in the lead up to the next general election.

- 50 As Parliamentary Service employees, all PBO staff are subject to the Parliamentary Service Values, Employment Principles and Code of Conduct. Individual staff performance and career development is managed consistent with the PBO's Performance Management Framework.
- 51 Since the establishment of the PBO, all non-SES employees have been engaged on common law agreements.

Corporate services

- 52 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.
- 53 The Department of the Senate provides the PBO's financial transactions, payroll and records management services. The PBO's information and communication technology services are provided by the Department of Parliamentary Services.

Accountability and performance

- 54 The PBO's performance will continue to be 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 will be another important indicator of performance.
- 55 The PBO has developed a repeatable survey to enable stakeholder feedback to be analysed in a consistent manner over time. This is expected to help identify possible opportunities for enhancing the services the PBO provides.
- 56 The PBO's first stakeholder survey was conducted in May 2015. A large majority of respondents to this survey indicated that they were satisfied with the work of the PBO and agreed that the PBO is non-partisan, independent, operates with integrity, improves the transparency of the budget and fiscal policy settings, and helps to level the playing field for all parliamentarians.
- 57 Stakeholder satisfaction with the PBO's service delivery arrangements was high. They would, however, like to see an improvement in the timeliness of the PBO's responses. This will require the PBO to continue to refine its data collection, model development and staff training, and ensure that it is adequately resourced to cope with the sustained high demand for its services.
- 58 The PBO proposes to survey stakeholders on an annual basis, towards the end of each financial year, to enable the results to be incorporated into the PBO's annual reports to the Parliament.