



Parliamentary Budget Office
work plan **2016–17**

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Foreword

This work plan has been prepared following consultation with the Joint Committee of Public Accounts and Audit (JCPAA) 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 2016–17 to 2019–20 as required by section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

The PBO's role in supporting Australia's democratic processes has become firmly established as reflected in the continuing heavy demand for the PBO's policy costing services and the high level of public interest in, and widespread use of, the PBO's research publications in public policy debates.

The 2016 general election presented the PBO with the usual challenges associated with a general election, namely the heightened demand for costings of election commitments in the months leading up to polling day and the requirement, within 30 days of the end of the caretaker period, to publish a post-election report of the budget impacts of the election commitments of the major parliamentary parties.

The PBO augmented its workforce and implemented a new workflow management system prior to the 2016 election period. With these initiatives, the PBO was well-placed to effectively fulfil its responsibilities during the 2016 election period.

In 2016–17, the PBO expects to be able to devote more resources to its published program of self-initiated research on the budget and fiscal policy settings, and to the development and maintenance of its financial models and data bases.

Phil Bowen PSM FCPA
Parliamentary Budget Officer

9 August 2016

Background

- 1 The Parliamentary Budget Officer is an independent statutory officer of the Australian Parliament and head of the 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 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 requests and 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 budget impacts of 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 JCPAA and is to be made public.

Priorities

- 6 The priorities for the PBO in 2016–17 are to:
 - a publish the post-election report of the budget impacts of the election commitments of designated parliamentary parties
 - 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
 - e develop and maintain the PBO's financial models and data bases.
- 7 Beyond 2016–17, the PBO will continue to focus on meeting the demands for its services from parliamentarians and parliamentary committees, while maintaining its program of published research.

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 2016 general election, resources for this function were augmented to meet the increased demand for these services.
- 9 The published research program and related activities nominally account for approximately one fifth of the PBO's resources. During and immediately after the caretaker period, these resources were primarily redirected to the preparation of the post-election report.
- 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 2016–17, the PBO will explore staff secondment opportunities with counterpart organisations and relevant Commonwealth agencies.
- 13 The PBO also intends to continue to participate in the Parliament of Australia Graduate Program to expose graduates to the work of the PBO and to supplement the PBO's core workforce.

Policy costings and budget analyses

- 14 The demand from parliamentarians and parliamentary parties for policy costings and budget analyses in 2015–16 in the lead up to the 2016 general election was more than double that in 2013–14, the previous election year.
- 15 This has placed considerable pressure on the PBO's resources, requiring a number of staff who normally are engaged on research to be redeployed to work on policy costings. It is anticipated that as the costings workload moderates after the election, more resources will be able to be allocated to the PBO's self-initiated research program, and the development and maintenance of the PBO's financial models and data bases.
- 16 The PBO will continue to liaise with parliamentarians to help ensure that their requests are given appropriate priority, recognising that the PBO's responsiveness is affected by a range of factors including policy complexity, availability of data and models, and total workload.
- 17 The *Memorandum of Understanding between the Parliamentary Budget Officer and the Heads of Commonwealth Bodies in relation to the Provision of Information and Documents* continues to provide a reasonable basis for the PBO to gain access to the information it needs to perform its functions.
- 18 The PBO will continue to maintain effective working relationships with Commonwealth agencies to facilitate the timely provision of information, including by building on the standing information provision arrangements that it already has with several agencies.

Post-election report of election commitments

- 19 The Parliamentary Budget Officer is required, within 30 days after the end of the caretaker period for a general election, to prepare a post-election report of the budget impacts of the election commitments of each parliamentary party with five or more members in the Parliament immediately before the commencement of the caretaker period.
- 20 For each designated parliamentary party, the post-election report includes costings of all the election commitments of that party that the Parliamentary Budget Officer, in his best professional judgement, reasonably believes 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.
- 21 This report for the 2016 election was published on 5 August 2016.

Published research

- 22 The PBO's self-initiated research program will continue to focus on fiscal sustainability over the medium term. It will also seek to improve budget transparency and promote a better public understanding of the budget and fiscal policy settings.
- 23 The program will comprise three strands of work in 2016–17 and beyond: regular publications; other research reports; and technical notes.

Regular publications

- 24 The PBO plans to release the following regular publications each year:
 - a a report on the medium-term (budget year plus 10 years) projections of receipts and payments will be published following the 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—in addition, a table of updated projections will be published following the mid-year fiscal update
 - b a report on the national fiscal outlook over the forward estimates period will be published after Commonwealth, state and territory budgets have been released
 - c chart packs, providing a graphical summary of the fiscal update and highlighting the impacts of policy decisions and parameter changes, will be published after the budget and the mid-year fiscal update
 - d tables showing the impacts of unlegislated measures carried forward in the budget estimates will be published after the budget and the mid-year fiscal update.

Other research reports

- 25 The PBO plans to publish research in 2016–17 on the following issues:
 - a the impact of the ageing population on government spending over the long term
 - b the role of the Future Fund and its contribution to fiscal sustainability
 - c medium-term projections of the Pharmaceutical Benefits Scheme, taking into account the impact of the expiry of patents for major drugs
 - d the drivers of spending on the Disability Support Pension over the past decade together with projections over the medium term
 - e the drivers of spending on the Age Pension over the past decade together with projections over the medium term.
- 26 Additional analyses in selected areas of revenue and expenditure may also be undertaken as resources permit.

Technical notes

- 27 The PBO plans to publish a technical note in 2016–17 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.

Engagement with parliamentary committees

- 28 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.
- 29 The PBO will continue to regularly appear 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.
- 30 Additionally, the PBO will respond to requests for assistance from parliamentary committees on issues that fall within its mandate.

Capability building

- 31 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 continuing 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.
- 32 The PBO will continue to 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.
- 33 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.
- 34 The PBO will continue to invest in technical training for staff focusing on developing their modelling, data analysis and programming skills. This will 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.

External engagement

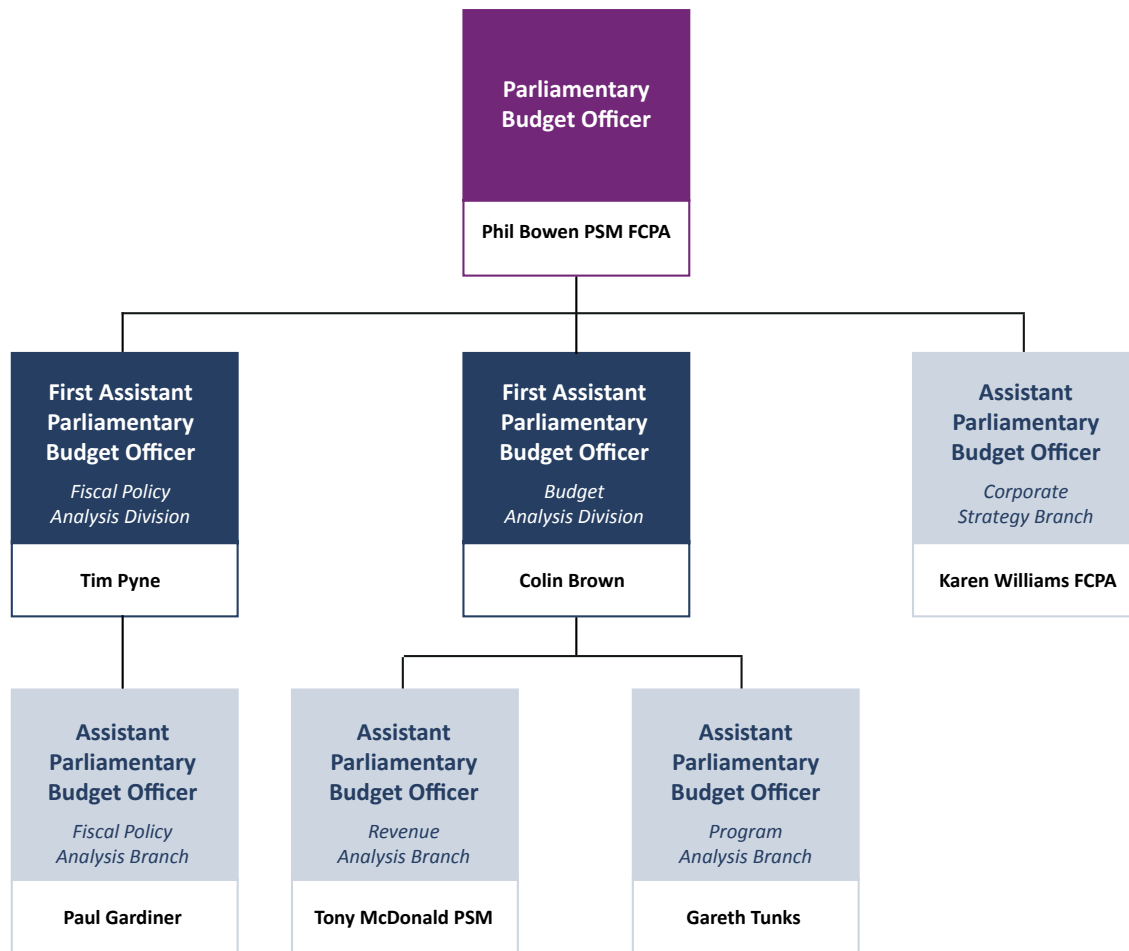
- 35 The PBO will continue to engage with other institutions and bodies as part of its ongoing operations.
- 36 The Parliamentary Budget Officer is a member of the Organisation for Economic Co-operation and Development (OECD) Network of Parliamentary Budget Officials and Independent Fiscal Institutions. 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 PBO will continue to engage 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.
- 38 In the preparation of reports under the PBO's self-initiated research program, the PBO will continue to engage with external reviewers to seek comments and suggestions on pre-publication draft reports. External reviewers vary according to the subject matter of the report and include other independent fiscal institutions, university academics, private sector economists, and researchers from independent think tanks.

Organisation and resourcing

Structure

- 39 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.

40 The PBO’s organisational structure and senior staffing is as follows:



Governance

- 41 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 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.
- 42 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 key levels in the PBO including in divisional and branch work planning. The PBO’s risk management policy is in accordance with the Commonwealth Risk Management Policy.

Budget

- 43 The PBO's departmental appropriation for 2016–17 is \$6.9 million. In addition, the PBO anticipates drawing \$1.2 million from its special appropriation under section 64D of the *Parliamentary Service Act 1999*. The balance of the special appropriation at 1 July 2016 was \$5.0 million.
- 44 Employee expenses of \$7.1 million represent the PBO's major expense item.
- 45 Over the forward estimates period, the PBO's departmental appropriation will return to a similar amount as in 2014–15 (approximately \$6.9 million), supplemented again in 2018–19 in the lead-up to the 2019 general election.

Staffing

- 46 The PBO's departmental appropriation allows for the ongoing employment of approximately 40 full-time staff.
- 47 In the second half of 2015–16, the PBO recruited above its ongoing establishment to help ensure that it was adequately staffed in the lead up to the 2016 general election. During 2016–17, it is anticipated that the average staff level will be approximately 45, returning through natural attrition to around 40 in 2017–18.
- 48 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.

Corporate services

- 49 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.
- 50 The Department of the Senate provides the PBO's financial transactions and payroll services. The PBO's information and communication technology services are provided by the Department of Parliamentary Services.

Accountability and performance

- 51 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.
- 52 These indicators will be measured by the extent of the demand for the PBO's services and citations of the PBO's outputs in the media.