



**Tasmania**  
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# GUIDELINES FOR COSTING ELECTION POLICIES

Department of Treasury  
*and Finance*

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## Introduction

The *Charter of Budget Responsibility Act 2007* specifies the circumstances under which the Secretary of the Department of Treasury and Finance may be requested to cost Government and Opposition election commitments during the caretaker period for a House of Assembly election. The Charter also requires that the Secretary issue guidelines for preparing costings of publicly announced policies (Part 6, clause 13).

These Guidelines are issued in accordance with the requirements of the Charter, and detail the principles and processes that will be followed by the Secretary when costing Government and Opposition election policies.

It is the overriding aim of these Guidelines to achieve consistency and transparency in policy costing for all parties. Accordingly, this document seeks to inform those requesting policy costings of the methodology that will be applied, what information will need to be supplied when requesting a policy costing and what will be prepared by the Secretary.

The Guidelines consist of four parts:

- **Part 1** provides an overview of the costing of election policies framework;
- **Part 2** specifies the commitments and undertakings the Secretary provides to those requesting election policy costings, the costing methodology, and the assumptions that will be applied when determining election policy costings;
- **Part 3** details how requests for election policy costings should be made, including the information required for a costing to proceed and the method for processing requests; and
- **Part 4** outlines the content and timing of policy costing advice and identifies reasons why policy costings may not be released.

Appendices A to C provide further details on standard costing conventions and details of information required for costing requests.

These Guidelines have been adapted from the Costing Election Commitment Guidelines issued in 2007 by the Commonwealth Department of Finance and Administration. That Department's agreement to adapt these Guidelines from their document is acknowledged with gratitude.

D W Challen  
**SECRETARY**

## **Part 1: Policy Costing Guidelines – Overview**

### **1.1 Application of Guidelines**

Part 6 of the Charter of Budget Responsibility specifies the arrangements for the costing of Government and Opposition party publicly announced election commitments.

Importantly, the Guidelines for Costing Election Policies:

- apply only during the caretaker period following the issuing of a writ for a House of Assembly election (clause 12(1));
- do not affect other caretaker period conventions that may be issued or administered by the Department of Premier and Cabinet; and
- relate to the costing of publicly announced policies of the Government and Opposition parties (clause 13(1)).

### **1.2 Requests Submitted**

Requests for the costing of publicly announced election policies:

- may be submitted to the Secretary of Treasury and Finance by the Premier or the Leader of an Opposition party to cost their publicly announced policies (clause 12(1)(a) and (b));
- must be in writing, outline fully the policy to be costed, and state the purpose or intention of the policy (clause 12(2) and Appendix B);
- should fully outline the design features of the policy (Appendix B);
- should be submitted to the Secretary of the Department of Treasury and Finance at 21 Murray Street, Hobart on a week day during normal business hours (8:45 am to 5:30 pm); and
- may be withdrawn by the requestor by notice in writing to the Secretary (clause 12 (4)).

### 1.3 Secretary Actions

Upon receiving a request the Secretary:

- will acknowledge the request;
- will apply security arrangements to any information provided which are similar to those applied during the preparation of the State Budget;
- will undertake to seek additional information from the submitting party to enable the policy to be costed, if the Secretary is unable to prepare a costing based on the information submitted as part of the request (clause 13(2));
- may request a general government sector body to provide information to assist with the preparation of the election policy costing (clause 15(1));
- will provide the costing of the election policy to the Premier or Leader of the relevant Opposition party before it is publicly released (clause 14(1));
- will publicly release the costing of the election policy as soon as practicable after the request was received and before polling day (clause 14(2));
- will publicly release a statement, if the costing of an election policy is unable to be undertaken before polling day, either due to insufficient information or time constraints (clause 14(3)); and
- is not obliged to take any further action in relation to a policy costing request on or after polling day (clause 14(4)).

## **Part 2: Policy Costing Aims and Methodology**

### **2.1 Secretary Commitments and Undertakings**

The Secretary will aim to be clear, transparent and timely when costing policies. In particular, the Secretary will:

- endeavour to provide the best estimate of the full cost of a policy;
- seek additional information from the submitting party to enable a policy to be accurately costed, if the Secretary determines that a costing cannot be prepared based on the information initially submitted;
- endeavour to complete the costing as soon as possible, generally within five working days;
- cost policies in a manner consistent with methodologies used to prepare the annual Budget statements and fiscal reports;
- cost both Government and Opposition policies in a consistent and impartial manner;
- only provide fiscal costings, and not provide policy advice or assessments of the economic impact of policies;
- produce a self-contained written report on the costing that justifies the published costings; and
- provide a copy of the policy costing to the leader of the party that requested the costing prior to it being publicly released.

The Secretary commits to maintain strict confidentiality in relation to policies and related material provided by the Premier or Leader of an Opposition Party, and not permit any cross-contamination of policies or information. Information in relation to costings will not be released in any form, other than through publication of costings as required by the Act.

### **2.2 Costing Methodology**

Election policy costings will estimate the fiscal costs of the proposal on the key Budget aggregates (Net Operating Balance, Fiscal Balance and the Consolidated Fund) for the Budget and Forward Estimates period (that is the current financial year and the following three financial years). Fiscal costings include both the estimated cost and savings associated with a proposal and encompass both revenue and expenses.

Costings will focus on the effect of a policy on the State Budget, and will be produced in a manner consistent with normal Budget costing methodologies. A list of costing conventions is provided at Appendix A.

Where the revenue or expense is not scheduled to commence or reach 'maturity' until after the Forward Estimates period, it may be necessary to note the expected full year cost when the measure is mature, where it is feasible to do so. Extensions beyond the Forward Estimates period will be at the discretion of the Secretary, who will be attempting to give the best estimate of the full cost of the policy.

It is expected that most costings will involve revenue elements only or expense elements only. However, where relevant, the revenue and expense components of a policy will be identified separately. The focus of costings will be on initial effects and the direct budgetary consequences of policies.

Policy costings will, generally, not account for the impact on State debt interest payments, unless:

- it is an explicit policy objective to affect the level of interest payments; or
- the policy involves a financing type transaction where the primary Budget impact is through State debt interest payments.

In the case of costing a policy package, both the cost of individual components and the overall cost of the package will be undertaken, and the effect that components of a package have on each other will also be taken into account where it is feasible to do so.

### **2.3 Costing Assumptions**

Assumptions used in costings will be the most appropriate available. In this regard, the Charter requires the public release of a Pre-Election Financial Outlook report within 10 days of the issue of the writ for the election for the House of Assembly. This will be the basis of the economic parameters used in costing election commitments.

The nature of any assumptions used will be made clear by the Secretary when releasing costings and any caveats associated with the assumptions will be outlined. To maintain consistency, assumptions used in one policy costing will generally be used again for costing similar policies.

The Secretary may request general government sector bodies to provide information to assist in the costing. The Secretary will ensure consultations take place with relevant agencies as a matter of course in producing a costing, so as to help ensure the assumptions chosen are the best possible. However, the final responsibility for the assumptions used will remain with the Secretary.

Any economic data or forecasts used in costing will be consistent with the most recent publicly released estimates. The Pre-Election Financial Outlook will be the basis of the economic parameters to be used in costing election commitments.

Assumptions regarding behavioural responses of the people affected by policies will be taken into account where it is normal practice to do so. In some instances, behavioural effects will be a significant element of the costing. Where there are significant behavioural effects, the assumptions used in the costing will be clearly identified in the publicly released costing report.

In some cases, behavioural responses will be uncertain, ambiguous, difficult to quantify or of small magnitude. In these situations, behavioural effects will not be included and this will also be made clear in the costing report.

Where appropriate, sensitivity analysis will be undertaken to demonstrate the impact of different assumptions regarding behavioural responses. Moreover, in cases where assumptions are particularly uncertain, costings may be provided as a range of possible outcomes.

Where a costing uses different assumptions to those specified in a costing request, the costing report will explain the reason for using different assumptions.

## **Part 3: Requests for Costings and Processing**

### **3.1 Procedures and Standards for Requesting Costings**

Requests for costings can be made during the caretaker period after the issue of a writ for a House of Assembly election. In accordance with clause 12 of the Charter, the request must be made either by the Premier or by the Leader of an Opposition party.

Requests for policy costings are to:

- be in writing;
- outline fully the policy to be costed, giving relevant details; and
- state the purpose or intention of the policy.

The provision of full information to the Secretary at the time of submitting the request to cost the policy will help to minimise unnecessary delays. Appendix B contains a pro-forma indicating the information normally required for a costing to be prepared.

A request should fully outline the design features of the policy. It will assist in the preparation of costings if detailed information is provided on the assumptions that parties may have used in making their own assessments regarding the cost of policies. However, it should be noted that all assumptions used in the costing will be those of the Secretary. Where there is an inconsistency between the stated intention of the policy and its design features, the policy will be costed on the basis of its design features.

Importantly, if no allowance is made for departmental expenses necessary to support the implementation of an election policy, a costing of such expenses will only be undertaken if the Budget impact is considered by the Secretary to be material in the context of the proposed policy.

Where a costing of departmental expenses is specifically requested, the written request should clearly specify an assumption as to its absorption or supplementation. Key assumptions underpinning the departmental costings should also be specified by the requesting party. In undertaking these costings, existing programs and policies of a similar nature will be used as a guide.

If a costing of departmental expenses is not requested, and such expenses are considered to be immaterial by the Secretary, the published costing will indicate that departmental expenses are not included.

## **3.2 Submitting Requests**

Requests for election policy costings should be submitted to the Secretary of the Department of Treasury and Finance at 21 Murray Street, Hobart on a week day during normal business hours (8:45 am to 5:30 pm). Requests may be made by letter, email to [secretary@treasury.tas.gov.au](mailto:secretary@treasury.tas.gov.au) or faxed to 03 6233 5988. Requests which are received outside working hours will be taken to be received the next working day. All requests received will be acknowledged by e-mail to the nominated Contact Person (see section 3.8 below).

It is requested that requests be received no later than 5:30 pm on the eighth working day prior to the election polling day. Adherence to this requirement will better ensure that costings are publicly released 48 hours prior to the election polling day (see section 4.1 below). Whilst the Secretary will endeavour to cost and public release requests received after the specified time, it may not be possible to complete this process within the required timeframe.

## **3.3 Timelines for Provision of Costings**

The Secretary will endeavour to complete a costing as soon as possible, generally within five working days of receiving a request. However, this may not be possible in the case of complex costing requests where data is difficult to obtain, or where the costing request is received less than five working days from the date of the Election. If that is the case, the Secretary will advise the Premier or the Leader of an Opposition party that the costing cannot be completed within that timeframe.

## **3.4 Further Information Required for Completion of Costings**

If the Secretary considers that further clarification or information is required, he or she may request this information in writing from the Premier or from the Leader of an Opposition party as the case may be. Where additional information is required, the five days will exclude the time taken to obtain the additional information. The Secretary will endeavour to ask for such additional information within two working days of receiving the costing request. Further information should be forwarded to the Secretary in writing.

## **3.5 Withdrawal of a Request for Costing**

A request for a costing to be withdrawn may be made at any time by the requestor before the costing is provided by the Secretary to the Premier or the Leader of an Opposition party. A withdrawal must be in writing to the Secretary.

### **3.6 Security Arrangements**

Security arrangements will be similar to those applied at Budget time and the confidentiality of election policy costings will be protected by the Department of Treasury and Finance until they are publicly released.

### **3.7 Nominated Contact Person**

The Premier and each Opposition Party Leader who intends to put forward policies for costing is requested to nominate a contact person and to provide telephone, facsimile and e-mail contact details for that person. The Secretary will address requests for clarification and further information to the Nominated Contact Person. Completed costings will be provided to the Nominated Contact Person prior to the public release of such costings.

The Nominated Contact Person is expected to accept responsibility for all communications between the Secretary and the Premier or the Secretary and the Opposition Party Leader as the case may be. It is the responsibility of the Nominated Contact Person to ensure that a completed costing provided by the Secretary is promptly made available to the Premier or the Opposition Party as the case may be. The Secretary's over-riding responsibility is to make completed costings publicly available. Accordingly, if completed costings have been provided by the Secretary to the Nominated Contact Person, the Secretary cannot accept responsibility for delays occasioned by the Contact Person in making the completed costing available to the Premier or Opposition Party Leader.

## **Part 4: Reporting – Public release of policy costings**

### **4.1 Release of Policy Costings**

The Charter requires that election policy costings be publicly released as soon as practicable after a costing request has been made and before polling day. The Secretary will endeavour to complete and release election policy costings within five working days of receiving a request.

Election policy costings will not be publicly released within 48 hours of the election polling day. This is consistent with the restriction on the broadcasting of election material during this period under the *Broadcasting Services Act 1992*.

Costings will be publicly released on the Department of Treasury and Finance's website <[www.treasury.tas.gov.au](http://www.treasury.tas.gov.au)>. Where practicable, a media release will be made to advise the availability of completed costings on the Treasury website.

### **4.2 Public Release of Costings and the Delivery of Costing Reports**

The offices of the Premier and the Leaders of Opposition parties will be advised up to four working hours in advance of the expected public release time of all costings, but not the content of the reports.

The Secretary will email a completed costing to the Nominated Contact Person one hour prior to the public release of the costing.

Shortly after this process, costings will be publicly released on the Department of Treasury and Finance website <[www.treasury.tas.gov.au](http://www.treasury.tas.gov.au)>.

### **4.3 Policy Costing Report – Contents and Protocols**

Appendix C outlines the pro-forma that will be used by the Secretary when providing a policy costing. Costings will not include policy advice or assessments of the economic impact of policies.

The policy costing will include:

- an outline of the specific costing methodology and assumptions used - including economic and any behavioural assumptions - in sufficient detail to allow an understanding of how the costing was determined;
- a table setting out the annual Budget cost against the current financial year and the following three financial years (where the assumptions are particularly uncertain, the Secretary may choose to report costings as a range of likely outcomes);

- an explanation detailing any significant difference between the assumptions specified in a party costing request and those used in the Secretary's costing; and
- where the Secretary considers it appropriate, a sensitivity analysis which shows the extent to which changes in assumptions could produce different costing estimates.

#### **4.4 Reasons for Non-release of Policy Costings**

Where preparing a policy costing is not possible, the Secretary will publicly release a statement to that effect. The Secretary is not obliged to take any further action in relation to a policy costing on or after polling day.

The non-release of a policy costing may be due to:

- time constraints that prevent the policy being costed before polling day;
- the withdrawal of the request for a costing by the Premier or the Leader of an Opposition party;
- the provision of insufficient information about the policy to allow the Secretary to properly cost it; or
- there being insufficient data available to reliably cost the policy.

## Appendix A: Policy Costing Conventions

The following are standard conventions for the preparation of fiscal policy costings.

- costings are based on the effect on the State's Budget and produced in a manner that is consistent with the normal Budget costing methodologies;
- economic data and forecasts used in the preparation of costings will be consistent with the Pre-Election Financial Outlook report;
- costings are provided on a nominal price basis;
- costings are provided on an annual basis for the Budget and Forward Estimates period;
- full-year, part-year and one-off effects are distinguished;
- costings are generally to be best point estimates, however, costing ranges are provided if they are considered appropriate;
- where relevant, the revenue and expense components of a policy costing are identified separately;
- assumptions are reviewed for reasonableness in terms of cost, potential demand and implementation period;
- if an initiative is to be 'phased in' and it is not otherwise specifically stated, it is assumed the initiative will be phased in over four years;
- if no allowance is made for departmental expenses necessary to support the implementation of an election policy, a costing of such expenses will only be undertaken if the Budget impact is considered by the Secretary to be material in the context of the proposed policy;
- if a costing of departmental expenses is specifically requested, the written request should clearly specify an assumption as to its absorption or supplementation;
- if a costing of departmental expenses is not requested, and such expenses are considered to be immaterial by the Secretary, the published costing will indicate that departmental expenses are not included;
- assumptions used in costings are based on best professional judgement.

## Appendix B: Request for Costing an Election Commitment Pro-forma

Name of policy
Person requesting costing:
Date of public release of policy (including source):
Date of request to cost the policy:
Summary of policy:
Intention of policy:
Description of policy assumptions
<ul style="list-style-type: none"> <li>• Key assumptions made in the policy.</li> <li>• Is the policy part of a package? If yes, list and outline components and interactions with proposed or existing policies.</li> <li>• Will funding/costs require indexation?</li> <li>• Estimated costs for each year (if available).</li> <li>• What is the intended take up of the policy?</li> </ul> <p><i>Note: It will be subject to the professional judgement of the Secretary as to whether these assumptions are adopted in the costing of the policy.</i></p>

### Administration of policy

- How will the policy be administered?
- Who will administer the policy?
- Should departmental expenses associated with this policy be included in the costing?
  - If no, will the department be expected to absorb expenses associated with this policy?
  - If yes, please specify the key assumptions.
- What is the intended date of policy implementation?
- Are there transitional arrangements associated with policy implementation?
- List the major data sources utilised to develop the policy.
- Are there any other assumptions that need to be considered?

## Appendix C: Release of Costing Pro-forma

Election policy
Name of policy to be costed:
Costing request submitted by: (the Premier/Leader of the Opposition/Leader of the Tasmanian Greens)
Date request received:
Date of public release of policy:
Additional information requested (including date):
Additional information received (including date):

Financial implications <sup>1</sup>				
Impact on:	Budget Year	Forward Estimate Year 1	Forward Estimate Year 2	Forward Estimate Year 3
	\$'000	\$'000	\$'000	\$'000
Net Operating Balance				
Fiscal Balance				
Consolidated Fund				
Note: 1. A negative number indicates a decrease in revenue or an increase in expenses.				

Other Information
Caveats or qualifications to the costing:
Other comments:
Costing methodology used: <ul style="list-style-type: none"> <li>• Costing technique</li> <li>• Policy parameters</li> </ul>
Statistical data used:
Behavioural assumptions used: