

GUIDELINES FOR COSTING ELECTION POLICIES

Department of Treasury and Finance

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Tasmania
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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.
- **Part 5** provides information on standard cost estimates that will be used by Treasury during the costing of Election Policies process

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

Part I: Overview

I.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 dissolution of the House of Assembly (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)).

I.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 5:06 pm); and
- may be withdrawn by the requestor by notice in writing to the Secretary (clause 12 (3) and (4)).

I.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.

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 Budget year plus the following three financial years). The Secretary may choose to use a different costing period if considered appropriate. 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 basis of the economic parameters data or forecasts used in the costing of election commitments will be the most recent of:

- a Pre-Election Financial Outlook report (which may be required under the Charter); or
- the Treasurer's Revised Estimates Report, or Budget Papers.

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 where appropriate, 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.

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 following the commencement of a caretaker period leading to 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 5:06 pm). Requests may be made by letter or email to electioncostings@treasury.tas.gov.au. 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 3.7 below).

Given it is anticipated that it will take the Secretary at least five days to prepare election policy costings, it is requested that requests be received no later than the 5:06 pm on the sixth working day prior to the election polling day. Adherence to this requirement will better ensure that costings can be publicly released before polling day. Should requests be received later than the specified time, the Secretary will endeavour to cost the policy and publicly release the costing. However, it may be not be possible to complete the costing before polling day.

3.3 Timelines for Provision of Costings

The Secretary will endeavour to complete a costing 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, this information will be requested 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 request 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 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 in 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. The costings will be publicly released on the Department of Treasury and Finance's website <www.treasury.tas.gov.au>.

4.2 Public Release of Costings and the Delivery of Costing Reports

The Secretary will email a completed costing to the Nominated Contact Person at least one hour prior to the public release of the costing, the Nominated Contact Person will also be contacted by phone to advise them the costing has been emailed.

Costings will be publicly released on the Department of Treasury and Finance website <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 Budget and Forward Estimates period (where the assumptions are particularly uncertain, the Secretary may choose to report costings as a range of likely outcomes), that is the current Budget year plus the following three financial years. The Secretary may, however, choose a different costing period if considered appropriate;
- 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 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.

Part 5: Standard Costings

The Department of Treasury and Finance, in consultation with agencies has prepared a variety of standard cost estimates for its use during the Costing Election Policies process. These estimates are included at appendix D. These standard costs represent indicative estimates only valid as at the date on the appendix. These costings may be subject to change and Treasury will provide a revised appendix if required.

Appendix A: Policy Costings 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 most recent of a Pre-Election Financial Outlook report, Treasurer's Revised Estimates Report, or Budget Papers;
- costings are provided on a nominal price basis;
- costings are provided on an annual basis for the current Budget year plus the following three financial years (the Secretary may choose a different costing period if considered appropriate);
- 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 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 whether the cost is to be absorbed by the relevant Department, or whether the cost will be met by additional funding provided to the Department.
- 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 (please enclose a copy of any related policy documents):
Date of request to cost the policy:
Summary of policy:
Intention of policy:
Description of policy assumptions
<p>What are the key assumptions that have been made in the policy including:</p> <ul style="list-style-type: none"> • Is the policy part of a package? If yes, list and outline components and interactions with proposed or existing policies. • Will funding/costs require indexation? If yes, list the factors used. • What are the estimated costs each year? • What assumptions have been made in deriving the expected financial impact in the costing? <p><i>Note: It will be subject to the professional judgment of the Secretary as to whether these assumptions are adopted in the costing of the policy</i></p>
Administration of policy
<ul style="list-style-type: none"> • How will the policy be administered? • Who will administer the policy? • Should departmental expenses associated with this policy be included in the costing? <ul style="list-style-type: none"> - 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? • 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:				
Date request received:				
Date of public release of policy:				
Additional information requested (including date):				
Additional information received (including date):				
Financial implications ¹				
	2013-14 Budget \$'000	2014-15 \$'000	2015-16 \$'000	2016-17 \$'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 (including qualifications and assumptions used)				

Appendix D: Standard Cost Estimates

Employee Cost Estimates

The estimates in Table I are based on average employee costs as at March 2014. These estimates are provided as a guide only. Actual costs may vary as a result of proposed policy implementation.

The estimates provided are based on an average employee cost in the roles specified. They include direct salary and on-costs, together with essential non-salary costs associated with the positions. In specific circumstances, there may be other additional costs associated with implementing the policy decision.

Table I: Employee Cost Estimates

	Estimate
	\$'000
Department of Education	
Teacher	106
Senior Teacher	115
Principal	180
Teacher Aide	56
Education Facility Attendant	66
Department of Health and Human Services	
Medical Practitioner	231
Allied Health Professional	103
Ambulance Officer	121
Nurse Graduate	63
Nurse Practitioner	117
Child Health Nurse	88
Youth Health Nurse	90
Psychiatric Nurse	90
Registrar	100
Intern	68
Department of Infrastructure, Energy and Resources	
Transport Inspector	86
Road Safety Consultant	85
Engineer	110
Geologists	104
School Crossing Patrol Officers	10
Department of Justice	
Probation Officer	123
Correctional (Custodial) Officer	109
Legal Practitioner	117
Magistrate	327

Current as at November 2013

Table I: Employee Cost Estimates (continued)

	Estimate \$'000
Department of Police and Emergency Management	
Police Recruit	123
Police Constable	109
Police Sergeant	131
Police Inspector	157
Forensic Scientist	111
Legal Officer	114
Department of Primary Industries, Parks, Water and Environment	
Ranger	109
Scientist	121
General	
Administrative and Clerical – Band 2	57
Administrative and Clerical – Band 4	75
Administrative and Clerical – Band 6	98
Professional – Band 1	73
Professional – Band 2	95
Senior Executive Service – Band 1	138
Senior Executive Service – Band 2	167
Senior Executive Service – Band 3	201
Senior Executive Service – Band 4	242

Construction Cost Estimates

The estimates in Table 2 are indicative square metre rates for construction works in Tasmania, taken and interpreted from Rawlinson's Australian Construction Handbook, Edition 31, 2013, with the exception of the estimate for Public housing which has been taken from the Report of the Auditor-General No.2 of 2013-14 Volume 1.

These rates are for feasibility study purposes only and do not consider adverse site conditions (rock, contamination, steep slope, etc) nor "green" design. The rates do not incorporate site works or car parking and assume a standard level of architectural design and standard form buildings with a standard to medium level of finishes.

The rates are for construction costs only and do not include: demolition, land costs, services infrastructure outside the building line, use of special equipment, furniture or furnishings.

Rates also exclude professional fees which would typically be in the range of 11 to 15 per cent.

Table 2: Construction Cost Estimates

	Estimate
	Square metre rate
Building Type	
Office/ Administrative buildings 2-3 storey	\$2 665 - \$2 910
Office 4-7 Storey	\$3 500 - \$3 800
Primary School	\$1 555 - \$1 675
Secondary School (overall) ¹	\$1 985 - \$2 140
District Hospital	\$3 385 - \$3 650
General	\$5 565 - \$6 000
Town Hall/ Community Centre	\$1 845 - \$1 990
Public housing	\$2 183

Note:

1. If a high level of laboratory or technical accommodation is required the rates would be in the order of \$500 higher.

Road Works Cost Estimates

In providing the cost estimates in Table 3 the following must also be considered:

- whether the proposed project is a greenfield (i.e. new alignment) or an upgrade of an existing alignment;
- is the site of the project in an area prone to landslip, rainfall, ice/snow conditions over winter, etc;
- is the site of the project in an urban or rural area, the costs will be higher in urban areas due to the need for grade separated interchanges in urban areas versus dedicated turning lanes or other treatment options in rural areas.

Table 3: Road Works Cost Estimates

	Estimate \$'000 per km¹
Pavement strengthening, shoulder widening and sealing	\$1 637 - \$1 700
Two plus One ²	\$1 976 - \$2 110
Urban Construction	\$9 155 - \$10 800
Large Projects ³	\$32 400 - \$37 000
Pavement Rehabilitation ³	\$493 - \$600

Notes:

1. The Department of Infrastructure, Energy and Resources has implemented best practice cost estimating processes that includes a review of the project cost estimate at each of the four phases of a project that also factors in contingent and inherent risks. The four phases are: Identification, Scoping and planning, Development and Delivery. On this basis this upper and lower limits provided factor in to some degree what should typically be provided for against a project. The initial budget allocation provided is generally the lower limit with the difference between the upper and lower limit held at the program level. In the event of cost increases there are various processes the Project Manager must go through to demonstrate the additional requirement before it is approved and before the project can progress into the next phase.
2. Includes a combination of additional overtaking lane plus safety barrier.
3. There is no upper limit but this is a guide provided by the Department on Infrastructure, Energy and Resources.

Taxation Cost Estimates

The five major State taxation revenue lines are payroll tax, conveyance duty, land tax, insurance duty and motor tax.

All of these tax lines, except insurance duty, use thresholds to progressively increase the rate of tax/duty as the value of the asset or transaction increases. With the exception of payroll tax, which only has one threshold, the remaining three tax lines have multiple thresholds – therefore, costing the impact of a change in either the rate or threshold of one of these tax lines is complex. For simplicity, only a rate change (independent of threshold changes) has been calculated.

The estimated revenue impact of each rate change does not take into account behavioural changes in response to the change in tax rate or threshold or in response to other economic variables. Therefore, these figures are indicative and need to be considered in light of these assumptions/constraints.

It has been assumed that the tax/duty rate at each threshold step changes by 10 per cent, resulting in a commensurate change in revenue.

Table 1 shows the estimated revenue impact, based on 2013-14 Budget estimates, of a 10 per cent change in the rate of tax/duty for each of the State's major taxation lines. The estimates in this table are a guide only.

Table 1: Tax Cost Estimates (rate change)

Tax/duty	Estimated increase/decrease in revenue
	per annum \$m ¹
Payroll Tax	+/- 30.7
Conveyance Duty	+/- 13.2
Land Tax	+/- 9.0
Insurance duty	+/- 8.0
Motor Tax	+/- 7.7

Notes:

1. Based on 10 per cent increase/decrease to 2013-14 Budget estimate.

Due to the complexity of multiple thresholds, an estimate of the impact on revenue arising from a change to the thresholds of each tax line has not been calculated. For information on tax rates and thresholds, please go to <http://www.sro.tas.gov.au/>