



PARLIAMENTARY BUDGET OFFICE

Updated Guidelines for the Preparation of Election Policy Costings Requests

These guidelines, permitted by section 25 of the Parliamentary Budget Officer Act 2010 are designed to assist those preparing cost requests to facilitate the processes set down in Part 4 of that Act. In addition to providing guidance on requests, the document outlines some associated features of the legislation.

Who may make an Election Policy Request?

An election proposal may be announced or proposed by a member of parliament on behalf of a leader of a party, but a costing request is to be made in writing by a parliamentary leader. The function of the parliamentary leader may be exercised by a person nominated by the leader. Notice of the person nominated must be given in writing to the Parliamentary Budget Officer.

For current circumstances, a parliamentary leader is defined as being the Premier, the Leader of the Opposition (on behalf of the Coalition), independent members of parliament and, for other political parties, the member of parliament nominated by that party.

How are Requests to be made?

Mailed requests should be addressed to: The Parliamentary Budget Officer, Parliament House, Macquarie Street, Sydney 2000. To facilitate handling, electronic documents which clearly and unambiguously have the leader's authorisation are preferred. The address for such request is: Budget.Office@parliament.nsw.gov.au.

Requests should desirably be made using the Policy Costing Request template, which is available from the Parliamentary Budget Office and its website. Requests are to include the contact details for follow up questions.

By when are Requests to be made?

For the purposes of Part 4 of the Act, requests may be made any time from 25 January 2011. The later a request is made, the higher the risk that a costing will not be provided. On 11 March 2011, "the Parliamentary Budget Officer is to provide a draft budget impact statement to each parliamentary leader"; thus requests made too close to that date may not be able to be costed or included in that statement.

If requests cannot be met for reasons of timeliness (or for other reasons) the Parliamentary Budget Officer is to advise the parliamentary leader of the reason or reasons for not meeting that request.

Obligations of Parliamentary Leaders

A parliamentary leader is required by sub-clause 21(4) of the Act to notify the Parliamentary Budget Officer of a public announcement made by or on behalf of the parliamentary leader of an election policy costing issued by the Parliamentary Budget Officer.

When a parliamentary leader has received a draft of the budget impact statement for all costed policies, the leader is invited to identify in writing, within 48 hours of that receipt, his or her final list of costed policies for inclusion in the publicly released budget impact statements.

Nature of Election Policy Costings

Requests may concern revenue or expenditure policies or proposals.

For policies with on-going financial implications, data provided should cover the 2010-11 financial year and the following three financial years.

Costs of a proposed or announced program are those costs which relate to any use of state government resources including, for example, resources transferred from other functions or activities to the proposed program. In such cases, the value or costs of the transferred resources would be treated as a saving or offset to determine net costs.

It is expected that most election policies or proposals will impact only on the general government budget, but where policies affect budgets of public trading enterprises, the budget impact statement required by the Act may have to relate to a wider State budget than that for the general government sector. (The Act does not define budget or uncommitted State funds, though Treasury has interpreted the latter concept to refer to the general government sector.)

NSW budget documents are framed in accrual terms, though they also include cash-based impacts. The uncommitted State funds statements issued by Treasury used accrual-based data. Election policy costings will thus need to be based on accrual concepts. This means non-cash expenses and revenues data should be included in all costs for proposed programs.

Where there is a material difference between cash and accrual based estimates of costs or savings, data included in a request for costing should outline these differences.

Capital expenditures (purchases of non-financial assets) do not directly affect the accrual-based measures of budget deficits or surpluses (although maintenance, depreciation and costs of funds issues associated with capital expenditures do affect these budget outcomes).

In other jurisdictions, election promises submitted for costing have included policies such as a requirement that departments absorb costs of election policies or that these costs be offset by reductions to contingency allowances or advances to the treasurer/finance minister. The Parliamentary Budget Officer will give little weight, if any, to such savings provisions because their efficacy is highly questionable.

Where there is doubt about an estimate of costs of a submitted program, the Parliamentary Budget Officer will employ the mid-point of a publicly provided range of cost estimates. It is thus acceptable for a cost estimate included in the data in a request for costing to be expressed as a range.

Detail Content of Election Policy Costing Requests

The Act requires requests to include "all relevant details for the purpose of costing the policy". If there is insufficient information to cost a policy the Parliamentary Budget Officer may request more information from the parliamentary leader who made the request. This will delay the provision of the election costing. Inadequate data also increases the prospects of the Parliamentary Budget Officer coming to a different cost estimate than the estimate proposed in the request.

Where policies do not cap expenditure, details should include the basis for pricing assumptions used and, where relevant, the authority or source of all assumptions. The presence or absence of a contingency is also a relevant detail. Equivalent data is relevant for revenue proposals.

Costs for proposed policies will typically involve additional administrative costs, including the costs of raising revenue. Details in costing requests should provide data on these. Where, relevant, costs of funds used to effect policies will also need to be included in program costs. These funds will typically add to public debt interest payments, either by adding to public debt or by deferring its repayment. The rate of interest to be used by the Parliamentary Budget Office is six per cent per annum; this is the rate employed by Treasury in its uncommitted State funds statements.

The Policy Costing Request template uses various terms and expression which have specific meanings. Attached is a glossary of the terms. The wording has been taken from the Glossary in the 2010-11 Budget Paper 2 - Budget Statement.

Conclusion

These guidelines are intended to facilitate requests for costing election policies. Persons preparing such requests who wish further assistance are invited to discuss problems with staff of the Parliamentary Budget Office. The telephone number is (02) 9230 2867.

Anthony C. Harris

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Glossary

Capital Cost – Also called Capital Expenditure. This is expenditure relating to the acquisition or enhancement of property, plant and equipment (including land and buildings, plant and equipment and infrastructure systems) and intangibles (including computer software and easements)

General Government Sector – This is an ABS classification of agencies that provide public services (such as health, education and police), or perform a regulatory function. General Government agencies are funded in the main by taxation (directly or indirectly). A list of General Government agencies is included in Budget Paper 2, Appendix C – Classification of Agencies.

Net Financial Liabilities – Is the total liabilities less financial assets, other than equity in public corporations.

Net Worth – Is an economic measure of wealth and is equal to total assets less liabilities.

Nominal Dollars – Shows the dollars of the relevant period. No adjustment is made each time period for inflation.

Operating Balance – Represents the difference between expenses and revenues from transactions in the general government sector.