



GUIDE TO POLICY COSTINGS PROCEDURES, INFORMATION REQUIREMENTS AND METHODOLOGY¹

The Parliamentary Budget Office's policy costing role

Policy costings prepared by the PBO fall into two categories:

1. outside the caretaker period for a general election, 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; and
2. during the caretaker period for a general election, policy costings of publicly announced policies on request by authorised members of Parliamentary parties or independent members.

Procedures for requesting policy costings

The procedures for submitting requests for policy costings are set out below. Each request must:

1. be in writing, addressed to the Parliamentary Budget Officer
2. outline fully the policy to be costed giving relevant details; and
3. state the purpose or intention of the policy.

Outside of the caretaker period, if the request, the policy costing or any other information relating to the request is to be treated as confidential, it is important that this be clearly stated in the written policy costing request.

A pro-forma policy costing request for use outside of the caretaker period is attached. It provides a guide as to the detailed information that should be provided to help ensure that the PBO is able to process the request as quickly as possible.

Guidance on arrangements for submitting costing requests during the caretaker period for a general election will be issued in advance of the next general election, along with an updated caretaker policy costing request pro-forma.

As noted in PBO Guidance 02/2013, when the PBO undertakes a confidential costing for an individual parliamentarian or political party, it relies solely on the policy details specified by that parliamentarian or political party. Consequently, the costing request must fully specify the policy that is to be costed.

¹ This Guidance updates and replaces PBO Guidance 01/2012 issued on 28 August 2012.

The PBO may need to seek additional information on the policy specification in order to complete a costing. In these circumstances the additional information must be provided to the PBO in writing.

These procedures reflect the PBO's formal requirements. In addition, the PBO is available to meet with requestors, both to clarify any issues before a written request is made and to discuss any additional information requirements after a request has been submitted.

Timing of costing responses

The time taken by the PBO to respond to a costing request will be determined by a number of factors, including the complexity of the costing, the availability of information, and the PBO's workload at the time. The PBO will make its best estimate of the timeframe for responding to a request at the outset and provide timely updates to the requestor if this timeframe is likely to be extended. Where a parliamentarian has submitted multiple requests, the PBO may also seek advice from the parliamentarian as to the priority of those requests.

Where a confidential costing request is made to the PBO before the commencement of the caretaker period for a general election, the PBO is able to complete that request on a confidential basis so long as it can be completed before the general election. If the PBO does not have sufficient information, or has not had sufficient time to prepare a policy costing before the general election, the request for the policy costing is taken to have been withdrawn (see PBO Guidance 02/2012 for more detail).

Where a request for a costing is made during the caretaker period and before polling day and cannot be completed before the polling day for the election, the costing request will be deemed to have been withdrawn as at polling day and the Parliamentary Budget Officer will issue a statement to that effect.

The caretaker period may extend beyond the polling day for an election. Where requests for costings are received in this period and cannot be completed before the end of the caretaker period, they will be deemed to have been withdrawn at the end of the caretaker period and the Parliamentary Budget Officer will issue a statement to that effect.

Costing methodology

The costing methodology adopted by the PBO will be consistent with the *Charter of Budget Honesty Policy Costing Guidelines*. Consistent with these Guidelines, costings will be provided for the current financial year plus the following three years. The Guidelines also provide that where a revenue or expense is likely to be significantly different beyond the forward estimates period, it may be necessary to include a statement about the financial impact of the policy in the relevant years beyond the forward estimates. A listing of conventions for the preparation of fiscal costings is attached.

Confidentiality

The PBO is exempt from the provisions of the *Freedom of Information Act 1982* as are any documents relating to PBO requests for information that are held by other Commonwealth bodies.

When outside the caretaker period a direction is given to the PBO to keep a policy costing request confidential, the PBO will take all reasonable measures to keep confidential the request, any related written or other interactions with the requestor, and the PBO's response. These measures will include appropriate levels of physical and IT security, the requirement for staff to hold appropriate security clearances, a strong culture of discretion within the PBO, and the strict application of the need-to-know principle.

The PBO has a memorandum of understanding (MOU) with the Heads of Commonwealth bodies in relation to the provision of information and documents to the PBO. The MOU places strict obligations on the Parliamentary Budget Officer and the Heads of Commonwealth bodies to protect the confidentiality of requests that are made in confidence by the PBO, and the information that is provided in confidence to the PBO in response to such requests.

Australian Government protocols also apply to the engagement between Commonwealth bodies and the Parliamentary Budget Officer. The protocols place an obligation on the Heads of Commonwealth bodies and their staff not to disclose to the Government the details of confidential requests for information from the PBO, or the subsequent response to the PBO. The protocols also place an obligation on Government Ministers and their staff not to ask the Heads of Commonwealth bodies or their staff to provide them with any information that would disclose the nature of a confidential request from the Parliamentary Budget Officer. Also, heads of Commonwealth bodies or their staff must not disclose the details of a confidential request from, or the response to, the PBO to a third party, other than a Commonwealth body, unless required to do so by law.

Commonwealth bodies may provide the PBO with sensitive information for the purposes of undertaking a costing or analysis, and those bodies may request that the PBO keep that information confidential. Where this is the case, the PBO may utilise that information for the purposes of the costing, but is obliged to take steps to protect the sensitive information from direct or indirect disclosure.

Phil Bowen PSM FCPA
Parliamentary Budget Officer

Release date: 15 July 2014
Contact officer: Colin Brown, First Assistant Parliamentary Budget Officer - (02) 6277 9530



**PRO-FORMA POLICY COSTING REQUEST
 OUTSIDE THE CARETAKER PERIOD**

Name of policy:	
Parliamentarian requesting costing:	
Date of request to cost the policy:	
Is this policy costing or any other information relating to the request to be treated as confidential?	
Description of policy	
Summary of policy (as applicable, please attach copies of relevant policy documents):	
What is the purpose or intention of the policy?	
What are the key assumptions that have been made in the policy, including	
Is the policy part of a package? If yes, list and outline components and interactions with proposed or existing policies.	
Where relevant, is funding for the policy to be demand driven or a capped amount?	
Will third parties (for example, the States/Territories) have a role in funding or delivering the policy? If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?	
Are there associated savings, offsets or expenses? If yes, please provide details.	
Does the policy relate to a previous budget measure? If yes, which measure?	

<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program? Will funding/cost require indexation?</p> <p>If yes, list factors used.</p>	
<p>If applicable, what are the estimated costs each year? Are these provided on a cash or fiscal basis?</p>	
<p>What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?</p>	
<p>Has the policy been costed by a third party?</p> <p>If yes, can you provide a copy of this costing and its assumptions?</p>	
<p>What is the expected community impact of the policy?</p> <p>How many people will be affected by the policy?</p> <p>What is the likely take up?</p> <p>What is the basis for these impact assessments/assumptions?</p>	
<p>Administration of policy</p>	
<p>Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?</p>	
<p>Are there any specific administrative arrangements for the policy (for example, eligibility assessments) that need to be taken into account?</p> <p>For capped spending proposals, are the departmental administration costs to be met from within the funding cap for the program.</p>	
<p>Intended date of implementation:</p>	
<p>Intended duration of policy:</p>	
<p>Are there transitional arrangements associated with policy implementation?</p>	

PRO-FORMA POLICY COSTING REQUEST – OUTSIDE THE CARETAKER PERIOD

List major data sources utilised to develop policy (for example, ABS cat. no. 3201.0):	
Are there any other assumptions that need to be considered?	
<p>NOTE:</p> <p><i>Please note that:</i></p> <ul style="list-style-type: none"><i>The costing will be on the basis of information provided in this costing request.</i><i>The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.</i>	



COSTING CONVENTIONS

- Costings will focus on the effect of a policy on the Australian Government's key Budget aggregates (both cash and accruals). They will be produced in a manner consistent with normal Budget costing methodologies.
- Economic data and forecasts used in the preparation of costings will be consistent with the most recent relevant reports released under Parts 5, 6 and 7 of Schedule 1 to the *Charter of Budget Honesty Act 1998*.
- Costings will be on a current price basis.
- Costings will be on a July to June financial year basis, providing estimates for the current financial year and the forward estimates years. Where relevant, costings may also include budgetary impacts beyond the forward estimates period.
- Full year, part year and one-off effects (the steady state full year cost will be made clear) will be distinguished.
- Costings will be prepared in accrual and cash terms. For each policy, the impact on the fiscal balance and underlying cash balance (and, as appropriate, headline cash balance and net worth) will be reported.
- Where relevant, the revenue and expense components of a policy costing will be identified separately.
- Departmental administrative expenses, where significant in terms of the policy being costed, will be separately identified as part of the costing. The costs of administering existing programs/policies of a similar nature will be used as a guide.
- Costings will generally not include the impact on Public Debt Interest payments, except in those circumstances outlined in Part 4 of the *Charter of Budget Honesty Policy Costing Guidelines*.
- Costings will take into account the direct behavioural effects of a policy change. They will generally not take into account second round effects, such as flow-on effects to broader markets or the economy as a whole.
- Assumptions used in costings will be based on the best professional judgment of the Parliamentary Budget Officer.