



**DRAFT**  
**Guidelines for Costing Election Commitments**

**Department of Treasury**  
**January 2011**

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## Introduction

The *Election Commitments Costing Act 2011* (the Act) specifies the circumstances under which the Under Treasurer may be requested to cost election commitments during the pre-election period prior to the general election.

The Act provides that the Under Treasurer may issue written guidelines setting out the administrative procedures for costing an election commitment (section 7). These guidelines provide the principles and processes that will be followed when requesting an election commitment costing, in order to achieve consistency and transparency when costing all election commitments. Accordingly, this document seeks to inform those requesting election commitment costings of the methodology that will be applied, what information will need to be supplied when requesting an election commitment costing and what will be prepared and published by the Under Treasurer.

The guideline consists of five parts.

- **Part 1** provides an overview of the costing of election commitments framework.
- **Part 2** specifies the commitments and undertakings the Under Treasurer provides to those requesting an election commitment costing, the costing methodology, and the assumptions that will be applied when determining election commitment costings.
- **Part 3** details how requests for costing election commitments should be made, including the information required for a costing to proceed and the method for processing requests.
- **Part 4** outlines the content and timing of election commitment costings and identifies reasons why election commitment costings may not be released.
- **Part 5** defines terms used in the guidelines.

**Appendices A to C** provide further details on standard costing conventions and proformas for requests and the costings themselves.

Megan Smithies  
Under Treasurer

## Part 1: Election Commitment Costing Guidelines – Overview

### *Application of guidelines*

Section 9 of the Act specifies the arrangements for costing election commitments.

Importantly, the guidelines for costing election commitments:

- apply only during the pre-election period<sup>1</sup> (section 5(1));
- do not affect other pre-election period conventions that may be issued or administered by the Chief Minister's Department; and
- relate to the costing of publicly announced election commitments of the requestor (section 5(1)). A requestor is the leader of a registered party with 1 or more MLAs<sup>2</sup> or an MLA who is not a member of a registered party.

### *Requests for costing of election commitments*

The Act, under section 5(2), details how requests for costing election commitments are to be submitted. It is not compulsory to request the Department of Treasury to cost a publicly announced election commitment during the pre-election period.

If the decision is made to request a costing for a publicly announced election commitment, the request:

- must be submitted in writing to the Under Treasurer by the requestor;
- must include the information requested in the proforma at **Appendix B**, outlining fully the election commitment to be costed, the purpose or intention of the election commitment and the assumptions of the election commitment (section 5(2)(b)); and
- should be submitted to the Under Treasurer on a business day during normal business hours (8:30am to 5:00pm).

A request may be withdrawn by the requestor by notice in writing to the Under Treasurer. The notice in writing can be emailed to the Under Treasurer (section 6).

The Under Treasurer will not accept a request to cost a publicly announced election commitment of another MLA or a registered party of which the requestor is not a member (section 5(3)).

<sup>1</sup> The timing of ACT elections is contained in section 100 of the *Electoral Act 1992*, which provides that a general election of the ACT Legislative Assembly must be held on the third Saturday in October in the fourth year after the year in which the last election was held. The official "pre-election period" commences 36 days before polling day.

<sup>2</sup> Leader of a registered party means the leader of the party in the Legislative Assembly

This does not preclude the Government of the day requesting factual material of a potential election commitment as part of the ordinary business of serving the Government. If the Department of Treasury provides the Government factual material as part of the ordinary business of Government, the provisions of the Act will not apply.

### ***Under Treasurer actions***

Upon receiving a request the Under Treasurer:

- will acknowledge the request;
- will apply security arrangements to any information provided, similar to those applied during the preparation of the Territory Budget;
- will seek additional information if unable to prepare an election commitment costing from the details the requestor has submitted (section 8);
- may request a government agency to provide information to assist with the preparation of the election commitment costings;
- will provide the costing of the election commitment to the requestor before it is publicly released;
- will publicly release the costing of the election commitment as soon as practicable after the request was received and before polling day (section 9(2));
- will publicly release a statement just prior to election day if an election commitment is unable to be costed before polling day, either due to insufficient information / data, was withdrawn or time constraints (section 9(3)); and
- is not obliged to take any further action in relation to an election commitment costing request on or after polling day (section 10).

## **Part 2: Election Commitment Costing Aims and Methodology**

### ***Under Treasurer commitments and undertakings***

The Under Treasurer will aim to be clear, transparent and timely when costing election commitments. In particular, the Under Treasurer will:

- endeavour to provide the best estimate of the full cost of an election commitment;
- seek additional information from the requestor to enable an election commitment to be accurately costed if the Under Treasurer determines that a costing cannot be prepared based on the information initially submitted;
- cost policies in a manner consistent with methodologies used to prepare the budget papers;
- cost election commitments in a consistent and impartial manner;
- only provide financial costings, and not provide policy advice or assessments of the economic impact of policies;
- produce a self-contained written report on the costing (**Appendix C**); and
- endeavour to complete the costing as soon as possible, generally within **five working days** (noting that where additional information is required, the five working days will exclude the time taken to obtain additional information).

### ***Costing methodology***

Election commitment costings will focus on the effect of a commitment on the key budget aggregates (net operating balance, capital requirements and cash surplus / (deficit)) and include both the estimated cost and savings associated with a proposal, encompassing both revenues and expenses. Election commitment costings will be produced in a manner consistent with normal budget costing methodologies. A list of costing conventions is at **Appendix A**.

An individual request is required for each stand-alone election commitment to be costed. For example, if a health election commitment addresses a number of areas for improvement, the requestor must submit a costing request for each stand-alone election commitment as opposed to submitting one costing request incorporating all the stand-alone election commitments.

It is expected that most costings will involve revenue elements only or expense elements only. However, where relevant, the revenue and expense components of an election commitment will be identified separately.

Costing estimates will be provided for the forward estimates period (that is the budget year plus the following three years). Where the revenue or expense is not scheduled to commence, or be fully operational, or cease until after the forward estimates period, it may be necessary to note the expected full year cost when the policy is mature, if feasible to do so. Extensions beyond the forward estimates period will be at the discretion of the Under Treasurer.

If an election commitment includes a capital requirement, the Under Treasurer will include a cost of capital in the costing i.e. interest revenue forgone by using cash or an interest expense for borrowing the funds. All other costings will not generally include an interest expense, unless:

- it is an explicit election commitment objective to affect the level of interest payments; or
- the election commitment involves a financing type transaction where the primary focus is on the level of interest expense paid.

### **Costing assumptions**

Assumptions used in costings will be the most appropriate available. The nature of any assumptions used will be detailed by the Under Treasurer when releasing costings and any caveats associated with the assumptions will be outlined. To maintain consistency, assumptions used in one election commitment costing will generally be also used for costing similar election commitments.

Any economic data or forecasts used in the costing will be consistent with the most recent publicly released estimates. The *Financial Management Act 1996* requires the public release of a pre-election budget update at least thirty days before the polling day. This will be the basis of the economic parameters to be used in costing election commitments.

The Under Treasurer may request government agencies to provide information to assist in the costing. The Department of Treasury will liaise 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 Under Treasurer.

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

Where there is a difference between a costing request and the publicly released election commitment an effort will be made to clarify the difference. If that is not possible the costing will be based on information provided in the costing request.

The Department of Treasury may formally notify requestors, before the pre-election period, of particular assumptions that will be used by the Department of Treasury when costing an election commitment e.g. employee cost estimates.

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

### ***Procedures and standards for requesting costings***

Requests for costings can be made during the pre-election period prior to the general election. In accordance with section 5(1) of the Act, the request must be made by the requestor.

The Under Treasurer is not obligated to take any action on requests unless the requestor has signed the costing request. Requests for costing an election commitment must:

- be in writing and submitted using the proforma located at **Appendix B**;
- outline fully the election commitment to be costed, giving relevant details, including any underlying assumptions; and
- state the purpose or intention of the election commitment.

The provision of full information to the Under Treasurer at the time of submitting the request to cost an election commitment will help minimise unnecessary delays.

**Appendix B** contains a proforma indicating the information normally required for a costing to be prepared.

A request should fully outline the design features of the election commitment. 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 election commitments. However, it should be noted that all assumptions used in the costing will be those of the Under Treasurer. Where there is an inconsistency between the stated intention of the election commitment and its design features, the election commitment will be costed on the basis of its design features.

Departmental expenses will be included in costings where analysis of the election commitment shows that these are material. In undertaking the costing of departmental expenses existing policies of a similar nature will be used as a guide.

### ***Submitting requests***

Requests for election commitment costings should be submitted to the Under Treasurer on a working day during normal business hours (8:30am to 5:00pm).

Requests may be made by letter or email to [electioncosting@treasury.act.gov.au](mailto:electioncosting@treasury.act.gov.au). Requests which are received outside working hours will be taken to be received the next working day.

## ***Acknowledgement***

The Under Treasurer will acknowledge each request received by a public announcement on the Department of Treasury website – [www.treasury.act.gov.au](http://www.treasury.act.gov.au).

The details provided on the website will be:

- the date the request was received;
- the name of the requestor; and
- the name of the election commitment.

No details of the costing request will be available until the Under Treasurer publicly releases the costing on the Department of Treasury website.

## ***Timelines for provision of costings***

**The Under Treasurer will endeavour to complete and release a costing within five working days starting from the next working day after receiving the request.** However, this may not be possible in the case of complex costing requests where data is difficult to obtain, where more detailed information needs to be provided by the requestor or where the costing request is received less than five working days from the Thursday immediately before polling day for the election.

If that is the case, the Under Treasurer will advise the requestor that the costing cannot be completed within the five working day timeframe. However the Under Treasurer will endeavour to complete and release all costing requests prior to polling day for the general election.

## ***Further information required for completion of costings***

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

A copy of the letter requesting further information can be emailed to the requestor and likewise, the requestor can email the responding letter back to the Department of Treasury - [electioncosting@treasury.act.gov.au](mailto:electioncosting@treasury.act.gov.au).

After the receipt of additional information, the Department of Treasury may seek clarification of points relating to the information provided from the requestor or the requestor's appropriate staff. Such requests may be by email or telephone. When the Department of Treasury is seeking additional information, they will make a note of the information sought and responses received, and seek confirmation from the requestor or requestor's appropriate staff of the accuracy of the note. Such requests for clarification will be noted in the final costings advice where the information materially affects the costing outcome.

### ***Withdrawal of request for costing***

Section 6 of the Act allows for the withdrawal of a request for a costing to be made at any time up until the Under Treasurer publicly releases the costing. Once the Under Treasurer has publicly released the costing, the costing can no longer be withdrawn. A withdrawal must be in writing to the Under Treasurer by the requestor.

A copy of the signed withdrawal letter can be emailed to [electioncosting@treasury.act.gov.au](mailto:electioncosting@treasury.act.gov.au).

When a withdrawal letter is received by the Under Treasurer from the requestor, the Under Treasurer will acknowledge by email if the costing has been successfully withdrawn and the website will be updated accordingly.

### ***Security arrangements***

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

## **Part 4: Reporting – Public Release of Election Commitment Costings**

### ***Release of election commitment costings***

The Act requires that election commitment costings be publicly released as soon as practicable after a costing request has been made and before polling day. The Under Treasurer will endeavour to complete and release election commitment costings within five working days on the Department of Treasury website [www.treasury.act.gov.au](http://www.treasury.act.gov.au).

**From Thursday 10pm immediately prior to polling day for the general election, the Department of Treasury will not publicly release any further election commitment costings.**

This will allow time for costings to be publicly scrutinised. The general public, media and candidates require adequate time to review the election commitment costings before polling day so as to make informed decisions.

The Department of Treasury will endeavour to cost all election commitments received and publicly release them on their website by 10pm Thursday immediately prior to polling day for the general election. Due to the Thursday being the final day costings will be released, different reporting arrangements will be in force on this day. The Under Treasurer will send a letter early in the campaign to inform the requestors of the process of publicly releasing election commitment costings on this day.

Any election commitments received by the Under Treasurer but not costed by 10pm on the Thursday immediately before polling day will be advised on the Department of Treasury website. Before polling day (most likely on the Friday immediately before polling day), the Department of Treasury website will provide a statement with the following details:

- the date the request was received;
- the name of the requestor;
- the name of the election commitment; and
- the reason why the costing was not completed and publicly released by 10pm on the Thursday immediately before polling day.

The website statement will not include a copy of the request submitted by the requestor.

### ***Public release of costings and the delivery of costing reports***

By 11:00am the requestor will receive an email containing any election commitment costings that will be publicly released that working day. An email will only be sent if an election commitment costing will be publicly released that working day by the Under Treasurer.

At least three hours is provided to the requestor to review the costing before it is publicly released so as to allow the requestor time to review the assumptions made by the Under Treasurer and understand the impact it has on their election commitment.

After 2pm the other registered parties and MLAs not members of a registered party, will receive an email notifying them an election commitment costing has been publicly released on the Department of Treasury website ([www.treasury.act.gov.au](http://www.treasury.act.gov.au)).

The Under Treasurer requests no media announcements be made by the registered parties or MLAs until the election commitment costings are publicly released on the Department of Treasury website.

### ***Election commitment costing report – contents and protocols***

When an election commitment costing is published, the published report will include the request submitted under section 5 of the Act; any request for further information made by the Under Treasurer; and any further information forwarded to the Under Treasurer or obtained in discussions with parties.

**Appendix C** provides the proforma that will be used by the Under Treasurer when publishing an election commitment costing. Costings will not include policy advice or assessments of the economic impact of election commitments.

The election commitment costing will include:

- an outline of the specific costing methodology and assumptions used in sufficient detail to allow an understanding of how the costing was determined;
- a table setting out the annual budget cost for the budget year and the following three financial years (where the assumptions are particularly uncertain, the Under Treasurer may choose to report costings as a range of likely outcomes); and
- an explanation detailing any significant difference between the assumptions specified in a costing request and those used in the Under Treasurer's costing.

### ***Reasons for non-release of election commitment costings***

Where an election commitment costing is not possible, the Under Treasurer will issue a notice on the Department of Treasury website, no later than the close of business on the last working day before polling day, stating reasons why the election commitment cannot be costed.

The non release of an election commitment costing may be due to:

- time constraints that prevent the election commitment being costed before polling day;
- the withdrawal of the request for a costing by the requestor;
- insufficient information about the election commitment to allow the Under Treasurer to properly cost it; or
- insufficient data available to reliably cost the election commitment.

The Under Treasurer will not take any further action in relation to an election commitment costing request that is not signed or received after 10pm on the Thursday before polling day.

## **Part 5: Definitions**

**Budget year** – the current published budget year. For example, if the general election was the 16 October 2010, the budget year would be 2010-2011.

**Forward estimates period** – budget year plus the following three years.

**Leader of a registered party** – the leader of a party in the Legislative Assembly.

**Publicly announced** – examples of when an election commitment has been publicly announced, is when a party or MLA issues a media release or publishes the election commitment on their website.

**Requestor** – the leader of a registered party with 1 or more MLAs or an MLA who is not a member of a registered party.

**Under Treasurer** – the Under Treasurer or a designated Treasury Executive.

## **Appendix A: Election Commitment Costing Conventions**

The following are standard conventions for the preparation of election commitment costings.

- Costings are based on the effect on the 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 Budget Update.
- Costings are provided on a current price basis.
- Costings are provided on an annual basis for the budget year and the following three financial years.
- 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 an election commitment costing are identified separately.
- Assumptions are reviewed for reasonableness in terms of cost, potential demand and implementation period.
- If no allowance is made for expenses necessary to support the implementation of an election commitment, a costing of such expenses will only be undertaken if the impact is considered by the Under Treasurer to be material in the context of the proposed election commitment. In undertaking the costing of the necessary expenses, existing programs / policies of a similar nature will be used as a guide.
- If a costing of expenses necessary to support the implementation of an election commitment is specifically requested, the written request should clearly specify an assumption as to its absorption or supplementation.
- If no allowance is made for expenses necessary to support the implementation of an election commitment, the Under Treasurer will only assume the expenses can be absorbed by the government agency if the expenses are considered immaterial.
- Assumptions used in costings are based on best professional judgement.

## Appendix B: Request for Costing an Election Commitment

Name of election commitment:	
Person requesting costing:	
Date of public release of election commitment, including source:	
Summary of election commitment:	
Intention of election commitment:	
Signature of person requesting costing:	
Date of request for costing:	
<b>Description of the election commitment. What are the key assumptions that have been made in the election commitment including:</b>	
<ul style="list-style-type: none"> <li>• Please note that where the request to cost an election commitment differs from the publicly announcement, the costing will be on the basis of information provided in the costing request.</li> <li>• Where relevant, is the funding for the policy to be demand driven or a capped amount?</li> <li>• Will third parties, for instance the Commonwealth or other State / Territories, have a role in funding or delivering the election commitment?</li> <li>• Will funding / the cost require indexation?</li> <li>• What are the estimated costs each year (if available)?</li> <li>• What is the likely take up?</li> <li>• What are the capital requirements for this election commitment and estimated costs each year (if available)?</li> </ul>	
<p><b>Note:</b> it will be up to the professional judgment of the Under Treasurer as to whether these assumptions are adopted in the costing of the election commitment.</p>	

Administration of the election commitment.	
<ul style="list-style-type: none"> <li>• How will the election commitment be administered?</li> <li>• Who will administer the election commitment?</li> <li>• Has an allowance been made for expenses necessary to support the implementation of this election commitment? <ul style="list-style-type: none"> <li>- If no, will the government agency be expected to absorb expenses associated with this election commitment?</li> <li>- If yes, please specify the key assumptions.</li> </ul> </li> <li>• What is the intended implementation date of the election commitment?</li> <li>• Are there transitional arrangements associated with election commitment implementation?</li> <li>• Are there any other assumptions that need to be considered?</li> <li>• When is the election commitment expected to be fully operational? <ul style="list-style-type: none"> <li>- Please provide further details i.e. start and end dates, the level of commitment during each period etc?</li> </ul> </li> <li>• Will the election commitment cease and if so when?</li> </ul>	

## Appendix C: Public Release of Costing Proforma

<b>Election commitment</b>	
Name of election commitment to be costed:	
Costing request submitted by:	
Date request received:	
Date of public release of the election commitment:	
Additional information requested (including date):	
Additional information received (including date):	

<b>Financial Implications</b>				
<b>Impact on:</b>	<b>Budget Year Year 1</b>	<b>Forward Estimate Year 2</b>	<b>Forward Estimate Year 3</b>	<b>Forward Estimate Year 4</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenues <sup>(a)</sup>				
Expenses <sup>(a)</sup>				
Net Operating Balance				
Capital Requirement				
Cash Surplus / (Deficit)				

(a) A negative number indicates a decrease in revenue or an increase in expenses.

<b>Other Information</b>	
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:	

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Megan Smithies  
Under Treasurer  
[month] [year]