



## PBO general election guidance 2 of 4, 2021

# The election commitments report: overview

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This guidance note sets out how the Parliamentary Budget Office (PBO) will approach key aspects of the next election commitments report. Further detailed guidance will be issued upon the commencement of the caretaker period.

In summary:

- the election commitments report will include the medium-term estimates of the financial impacts for each election commitment and the overall election platform for each political party. The medium-term period covers the budget year and the next 10 years.
- the default assumption for the purposes of the election commitments report will be that all election commitments are ongoing over the medium term, unless otherwise stated by the political party.
- the PBO will consider whether any statements made during the election campaign, but not included on the list of commitments provided by parties to the PBO, constitute party election commitments for the purposes of the report. In forming judgements about which commitments are included, the Parliamentary Budget Officer will consider a range of factors, particularly including who made the statement and the nature of the commitment made.
- the report will present the aggregate impact of all election commitments over the medium term for each party, both in dollar terms and as a proportion of gross domestic product (GDP), and the resulting final levels of key budget aggregates as a proportion of GDP for each party. It will also show the impact of commitments to cap or otherwise limit total tax receipts.
- the report will include the distributional impacts of individual election commitments on an opt in basis. Where distributional information has previously been requested from the PBO as part of a costing request outside the caretaker period, parties may choose to retain this distributional information in the updated published costing of their commitment in the election commitments report.

These arrangements apply to the major parties whose commitments must be included in the election commitments report, and to minor parties and independent parliamentarians that choose to opt in to the report by having their commitments included in a later addendum. Further details on arrangements for minor parties and independents are available in PBO general election guidance 1 of 4, *How minor parties and independents can opt in to the PBO's report of election commitments*, available on the PBO's website.

## Legislative context

Section 64MA of the *Parliamentary Service Act 1999* requires the Parliamentary Budget Officer to release a report outlining the financial impacts of all of the election commitments that have a material impact on the budget for all parliamentary parties with five or more members ('designated' parties or major parties). The report must be released within 30 days of the end of the caretaker period for a general election or seven days prior to the first sitting day of the new parliament, whichever is later.

The election commitments report is required to include the total combined impact of each party's election commitments on the budget for the current financial year and the following three financial years (the forward estimates period). It may include other information in addition to these statutory requirements.

## Medium-term financial impacts for all election commitments

In the PBO's election commitments report, the costing documentation will include the dollar value of the medium-term financial impacts for each election commitment. This is consistent with the PBO's role of increasing transparency around the budget and fiscal matters, and is the PBO's standard practice for all costings provided outside of the caretaker period. Medium-term estimates were included for a subset of costings in the 2019 election commitments report.<sup>1</sup> The 2019 report also included the total net impact over the medium term of all election commitments for each party, as a share of GDP.

The PBO always brings its best professional judgement to estimating the medium-term financial impacts. These are included in the interests of transparency of the policies, rather than as predictions. Caution should be exercised in interpreting medium-term results, noting that estimates beyond the forward estimates are often more uncertain and sensitive to parameter changes.

Consistent with previous election commitments reports, any policy costings prepared by The Treasury or Department of Finance during the caretaker period at the request of a party leader will be analysed by the PBO prior to being included in the election commitments report. This is to ensure that the Parliamentary Budget Officer is satisfied that those costings accurately reflect the budgetary impact of the election commitment, and are prepared on a consistent basis with costings done by the PBO.

In particular, where a policy costing prepared by The Treasury or Department of Finance during the caretaker period does not include the financial impacts over the medium term, the PBO will prepare a supplementary costing that includes the financial impacts over the medium term.

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<sup>1</sup> The *Parliamentary Budget Office Review 2016–17 – Report of the Independent Review Panel* recommended, and the PBO agreed, that the PBO include medium-term estimates for commitments meeting any of three tests of significance: being within the top ten proposals by dollar value over the medium term; having an impact of over \$1 billion in any given year across the medium term; or having a materially different impact beyond the forward estimates.

## Commitments are assumed to be ongoing unless parties publicly state otherwise

For the PBO to accurately cost election commitments over the medium term, parties will need to be transparent about their medium-term commitments. In particular, parties will need to advise whether their proposals would be ongoing or terminating over the medium term. Where a proposal is terminating, the termination date will need to be specified.

Where it cannot be determined from the policy announcement and related supporting material whether the commitment is ongoing or terminating, the PBO will adopt the default assumption that the proposal is ongoing, for the purpose of estimating the medium-term impacts.

## Which election commitments are included in the election commitments report?

The Parliamentary Budget Officer ultimately decides which commitments should be included in the election commitment report, based on announcements made by the parties prior to polling day and any associated fiscal impact. The PBO's legislation (subsections 64MA(3) to (8) of the *Parliamentary Service Act 1999*) sets out how the Parliamentary Budget Officer must seek and may take into account feedback from parliamentary parties.

- Parliamentary parties must submit a list of their election commitments to the PBO on the day before polling day and the PBO must publish these on the day after polling day. The PBO will publish an election commitments template for parties on its website; while using this template is optional, it is preferred.
- The PBO separately tracks and identifies election commitments made by parties during the campaign and must provide its list to each party within three days after the end of the caretaker period.
  - The PBO's list could differ from that submitted by a party if the PBO identifies more or fewer announced election commitments, or differences between the announced and listed version of commitments.
- In determining the list of commitments it provides to parties, the PBO will consider whether any announcements made during the election campaign and not included on the list provided by the party constitute election commitments for the purposes of the report. In forming this judgement, the Parliamentary Budget Officer will consider a range of factors, particularly including who made the statement and the nature of the commitment made. For example, some announcements made during the election campaign may be judged by the PBO to be aspirational in nature because no firm commitment was made to the policy mechanism or delivery. In this case the PBO would be unlikely to include the announcement as an election commitment in the election commitment report. Where an announcement involves detailed actions to achieve an aspirational target, the PBO would include the commitment in the report.
- In the event that an announced commitment differs somewhat from a similar commitment provided to the PBO as part of the party's list of election commitments, the PBO will err on the side of treating the commitment as new rather than an expansion of an existing commitment. This change is essentially technical and will facilitate more streamlined election commitment costings.

- The costings of policy commitments included in the report will draw on several sources, including responses to costing requests submitted on a confidential basis prior to the start of the caretaker period (the PBO will continue to process these on a confidential basis up until polling day); responses to requests for costings submitted publicly during the caretaker period; and, costings of previously uncosted commitments prepared after polling day. Details of how the PBO will respond to requests for costings and budget analysis during the caretaker period is provided in PBO general election guidance 3 of 4, *Costing policy proposals during the caretaker period*, available on the PBO's website.
- Further information on the process for compiling the list of election commitments for each party or independent is at [Appendix A](#).

## Financial impact of parties' overall election platforms

The PBO's election commitments report will publish the net impact of each party's election commitments on the key budget aggregates and the resulting final levels for the key budget aggregates in both cash and accrual terms.

The PBO uses the Pre-election Economic and Fiscal Outlook (PEFO) released by the Secretaries of The Treasury and Department of Finance as the baseline for the costing of election commitments included in the election commitments report. Consistent with the presentation used in the budget, the underlying cash balance is typically expressed in the PEFO in nominal dollar terms and as a proportion of GDP over the forward estimates period, and only as a proportion of GDP over the medium term. PEFO estimates for the fiscal balance are typically only published over the forward estimates period, both in nominal dollars and as a proportion of GDP, and estimates for the headline cash balance are typically published in nominal dollars over the forward estimates period.

In the election commitments report, the PBO will present the impacts of each party's commitments on each key budget aggregate in nominal dollar terms over the forward estimates period and as a proportion of GDP over the medium term, both in relation to the net impacts of commitments on the key budget aggregates and the resulting final levels for the key budget aggregates.

The PBO will also publish the net impacts of each party's election commitments on receipts and revenue, payments and expenses (excluding public debt interest) and public debt interest over the medium term, as well as the resulting final levels of receipts, payments and public debt interest and their accrual equivalents. These will be published in nominal dollars and as a proportion of GDP over the forward estimates period, and only as a proportion of GDP over the medium term.

The provision of budget information for both cash and accrual aggregates and over the medium term is consistent with the role of the election commitments report in informing Parliament and the public about the implications of election commitments on the budget.

[Appendix B](#) provides a stylised example of the information that will be published in the election commitments report.

## **Interaction with commitments to cap or otherwise limit total tax receipts**

If a party announces a policy of limiting receipts as part of their election commitments (for example a tax cap), the PBO will separately calculate and publish the financial impact of that policy.

Similarly, if government policy, as detailed in PEFO, includes a policy of capping tax receipts as a proportion of GDP and it is reflected in the underlying cash balance baseline, the PBO will publish the value of unspecified tax reductions included in the PEFO baseline that are required to ensure tax receipts do not exceed the cap. This PEFO baseline will form the benchmark against which the PBO will cost party election commitments and assess the aggregate impact of party policy platforms.

In the absence of a public statement by a party about an alternative limit on receipts or a policy to not apply a limit, the PBO's default approach will be to apply the tax cap that has been applied in the PEFO when calculating the net impact on the underlying cash balance of the overall election platform for that party.

## **Other medium-term budget assumptions**

The PBO will not treat other potential medium-term budget commitments or assumptions, such as a tax floor or a spending cap, in the same way as a commitment to limit receipts. Giving effect to such commitments tends to be more contested and risks artificially improving an assessment of the fiscal position. For example, suppose a party committed to capping total Commonwealth Government payments as a share of GDP at such level that the cap was expected to be exceeded over the medium term without implementing policies to reduce total payments. Such a commitment would improve the published pre-election impact of that party's platform on the budget, however, given the specific payments to be cut would only be announced later if that policy formed government, the incorporation of the payments cap in the election commitments report could be viewed as the inclusion of an aspirational target.

If a party announces a commitment of this nature, in order for the budget commitment to be included in the PBO's estimate of the party's election platform, the PBO would look to the party's public announcement of how the commitment will be met. The PBO will then assess whether the commitment could reasonably be achieved, including taking into account any significant interactions with other election commitments. Commentary on the PBO's reasons for including or excluding the impact of the commitment would be included in the election commitments report.

## **Distributional impacts of selected election commitments on an opt-in basis**

The report will include the distributional impacts of individual election commitments on a purely opt in basis. Where distributional information has previously been requested from the PBO as part of a costing request outside the caretaker period, parties may choose to retain this distributional information in the updated published costing of their commitment in the election commitments report. Examples of distributional information include impacts of a taxation policy by income groups or impacts of a change in a social welfare payment by gender.

Where the PBO identifies that it has previously responded to a request to cost a commitment outside of the caretaker period and that costing request included requested distributional information, the PBO will ask the designated party contact whether this distributional information should be retained or not.

- This could include the party requesting retention of a subset of the previous distributional information for that costing.
- Where the PBO has costed the commitment multiple times outside the caretaker period and any previous version costed during the most recent Parliament included distributional information, the requesting party could alert the PBO that it wishes to include that distributional information, even if the most recent costing response did not seek it as part of the costing response.

In the event that this opt-in arrangement results in a substantial increase in the share of costing requests with distributional information in the pre-election period, the PBO would work as usual with requesting parties and parliamentarians to ensure that their priority costing information is provided first.

Contact Officer:

Kathryn Smith  
Assistant Parliamentary Budget Officer  
Fiscal Policy Analysis Division  
02 6277 9547

# Appendix A: Election commitments lists: summary of arrangements for major and minor parties

## Major parties

The process for compiling the list of election commitments for each major party is as follows:

- 1 Each major party must, before 5pm on the day before polling day, provide the Parliamentary Budget Officer with a list of its publicly announced policies. Minor parties wishing to opt in to the election commitments report must also meet this requirement.
- 2 The day after polling day, the Parliamentary Budget Officer must release each list of commitments that has been provided, or where no list has been provided, a statement to that effect.
- 3 Within three calendar days of the end of the caretaker period<sup>2</sup> the Parliamentary Budget Officer must, for each major party:
  - provide the party with a list of election commitments that, in his or her best professional judgement, would have a material effect on the budget, having regard to the lists provided by the party and any public announcements made by the party before or during the caretaker period
  - provide the party with a statement explaining the reason(s) for any differences, in the event that the list prepared by the Parliamentary Budget Officer differs from the list of election commitments provided by the party.
- 4 Each major party has three calendar days to provide the Parliamentary Budget Officer with comments on the list of its election commitments. The Parliamentary Budget Officer may take account of such comments, but is not required to do so.

The election commitments report must only include costings of election commitments that are included in the list the Parliamentary Budget Officer provides to a party, or additional commitments in the response a party provides to that list.

## Minor parties and independents

The process for compiling the list of election commitments for minor parties and independents choosing to opt in to the election commitments report broadly replicates the process for major parties:

- 1 Each party or independent must, before 5pm on the day before polling day, provide the Parliamentary Budget Officer with a list of its publicly announced policies. Minor parties wishing to opt in to the election commitments report must also meet this requirement.
- 2 The day after polling day, the Parliamentary Budget Officer must release each list of commitments that has been provided, or where no list has been provided, a statement to that effect.
- 3 The Parliamentary Budget Officer may amend the commitments list provided and, in that case, would provide the party or independent with a statement of reasons for this amendment. The PBO would not endeavour to match the legislated timeframe applying to major parties.

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<sup>2</sup> The caretaker period begins at the time the House of Representatives is dissolved and continues until the election result is clear or, if there is a change of government, until the new government is appointed. See [\*Guidance on Caretaker Conventions 2018\*](#), published by the Department of the Prime Minister and Cabinet.

4 Parties may comment on the list and any comments would be included in the addendum to the election commitments report.

Further detail on these arrangements is available in PBO general election guidance 1 of 4, *How minor parties and independents can opt in to the PBO's report of election commitments*, available on the PBO's website.



## Appendix B: Stylised election commitments report sample tables

The PBO’s next election commitments report will publish the net impact of each party’s election commitments on the key budget aggregates and the resulting final levels for the key budget aggregates in both cash and accrual terms.

Table 1 below is the cash accounting version of the table showing the detailed budget impact of a party’s election commitments. The equivalent accrual accounting version would present the fiscal balance impacts. Tables 2 and 3 below are the cash accounting versions of two budget aggregates impact tables which would be included for each party. The accrual accounting equivalents would present the fiscal balance, revenue and expenses.

**Table 1: Detailed budget impacts of election commitments (\$ million), Party A, medium term, underlying cash balance**

Ref #	Election commitment	Source	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	Total to 2024–25	Total to 2031–32
<b>Portfolio/policy grouping</b>															
PER001	Commitment name 1	<a href="#">Hyperlink to source</a>													
PER002	Commitment name 2	<a href="#">Hyperlink to source</a>													
<b>Sub-total – impact of above election commitments</b>															
Public debt interest impact not included in individual commitments															
<b>TOTAL BUDGET IMPACT OF ELECTION COMMITMENTS</b>															
<i>Memorandum item</i>															
<b>Public debt interest</b>															
Public debt interest impacts included in individual commitments															
PER099	Commitment name 99														
Public debt interest impact not included in individual commitments															
<b>Total public debt interest</b>															

**Table 2: Underlying cash balance and headline cash balance, Party A, medium term**

	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	Total to 2024–25	Total to 2031–32
<b>PEFO UCB baseline (\$b)</b>													
Per cent of GDP													
<b>Unspecified tax cuts due to tax-to-GDP cap (\$b)</b>													
Per cent of GDP													
<b>Unconstrained PEFO UCB baseline (\$b)</b>													
Per cent of GDP													
<b>Party A</b>													
<b>Sum total of all election commitments, including interactions (\$b)</b>													
Per cent of GDP													
<b>Unspecified tax cuts due to policy to constrain receipts (\$b)</b>													
Per cent of GDP													
<b>Net impact of election commitments on the UCB (\$b)</b>													
Per cent of GDP													
<b>Final UCB (\$b)</b>													
Per cent of GDP													
<b>Net impact of election commitments on the HCB (\$b)</b>													
Per cent of GDP													
<b>Final HCB (\$b)</b>													
Per cent of GDP													

Note: Figures will not be published for shaded cells.

**Table 3: Receipts, payments and public debt interest (PDI) for Party A, including impact of election commitments**

	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	Total to 2024–25	Total to 2031–32
<b>PEFO receipts (\$b)</b>													
Per cent of GDP													
<b>PEFO payments – excluding PDI (\$b)</b>													
Per cent of GDP													
<b>PEFO PDI (\$b)</b>													
Per cent of GDP													
<b>PEFO UCB baseline (\$b)</b>													
Per cent of GDP													
<b>Party A</b>													
<b>Net impact of election commitments on receipts (\$b)</b>													
Per cent of GDP													
<b>Net impact of election commitments on payments – excluding PDI (\$b)</b>													
Per cent of GDP													
<b>Net impact of election commitments on PDI (\$b)</b>													
Per cent of GDP													
<b>Net impact of election commitments on the UCB (\$b)</b>													
Per cent of GDP													
<b>Final receipts (\$b)</b>													
Per cent of GDP													

**Table 3 (continued): Receipts, payments and public debt interest (PDI) for Party A, including impact of election commitments**

	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	2030–31	2031–32	Total to 2024–25	Total to 2031–32
<b>Final payments – excluding PDI (\$b)</b>													
Per cent of GDP													
<b>Final PDI (\$b)</b>													
Per cent of GDP													
<b>Final UCB (\$b)</b>													
Per cent of GDP													

Note: Figures will not be published for shaded cells.