



Parliamentary
Budget Office

GUIDE TO READING PBO COSTINGS

June 2025

At a glance

This guide is for anyone wanting a quick overview of how to read a Parliamentary Budget Office (PBO) costing, including parliamentarians and their staff, journalists and members of the public.

Every budget has a 'baseline' that extends over 4 years (the forward estimates). The baseline is the total cost of all the pre-existing policies. When policies change, the costs change. A costing shows how much that change is.

Any parliamentarian (or parliamentary committee) can request a costing from the PBO, and we can help in developing requests, as well as responding to them.

A parliamentarian requesting policy costings from the PBO may request that a costing be treated as either public or confidential when they lodge the request (except during the caretaker period).

Parliamentarians can also request analysis of the budget from the PBO. These requests can ask for any information about the budget or fiscal policy settings. We will respond to the requests subject to any limitations on data access and use.

The rest of this guide covers in more detail what a costing is, the process of requesting a costing and how to read a costing from the PBO.

More information on how to make a costing and budget analysis request can be found on the PBO website. To get started, see [For parliamentarians](#) where you will find key information and contacts.

What is the Parliamentary Budget Office (PBO)?

The PBO was established in 2012 to inform the Parliament by providing independent and non-partisan analysis of the budget cycle, fiscal policy and the financial implications of proposals.

We do this in 3 main ways:

- By responding to requests made by Senators and Members for [costings of policy proposals](#) or for analysis of matters relating to the budget across the full term of the parliament. This includes analysis provided to Parliamentary inquiries.
- By publishing and presenting [information](#) to enhance the public understanding of budget and fiscal policy settings.
- By publishing a [report](#) after every general election that provides transparency around the fiscal impact of the election commitments of major parties, and minor parties and independents that choose to be included.

Further information and an introduction to PBO's services is available here: [About the PBO](#).

What is a PBO costing?

A costing is an assessment of how much a policy proposal, if implemented, would change the budget surplus or deficit.

A PBO policy costing:

- is an impartial and independent estimate of the financial impact of a policy proposal on the budget, produced on a comparable basis to a costing that the government might publish in the budget
- is not an assessment of the merits of a policy, and does not provide policy advice or recommendations
- does not assess any economic impacts except those on the Australian Government budget and does not assess the non-financial impacts of a policy.

What does a costing capture?

Our costings reflect the direct impacts on the budget, including the expected response of directly affected individuals or businesses to the proposed policy change (called 'behavioural responses'). This can include:

- the change in quantity demanded for a good or service due to a change in price (sometimes called the 'price elasticity of demand')
- the change in demand for alternative goods or services (sometimes called 'substitution effects')
- the proportion of people (or businesses) eligible to benefit from the policy who choose to opt in or apply for the benefit (the 'take-up rate')
- changes to the timing of transactions (either bringing them forward or deferring them until a later time), in order to benefit from or to avoid a policy change
- any other avoidance or minimisation behaviours, where people or entities modify their behaviour in order to increase or decrease the extent to which they are subject to a policy proposal.

Costings do not reflect the broader economic effects of a policy (that is, impacts which arise due to the effects of the policy on the wider economy). For example, a costing would not reflect the financial impact of a change in economic growth, which might arise where a policy has a material effect on prices, wages, investment, or productivity.

Some costings are complex and are based on multiple models and assumptions. Other costings are simpler and allocate a fixed amount of money to a program. For these simpler costings the maximum amount of government spending on the program will not change, even if costs are higher than expected. These are known as 'capped costings'.

The costing process

Any parliamentarian (or parliamentary committee) can request a PBO policy costing.

When the PBO receives a costing request, we consult with the parliamentarian to ensure we clearly understand the policy and that it is comprehensively specified. The PBO will undertake research on the policy topic, lodge a request for any confidential data needed from other agencies to model the policy, and proceed to build or update the costing model (we can often re-use or adapt models where a similar policy has been costed before). Finally, the PBO will write up the key information and results in a costing minute, which is provided to the parliamentarian.

Are costings confidential?

Parliamentarians may request that a costing be treated as either public or confidential when they lodge the request. The PBO cannot disclose any information about a confidential request unless the parliamentarian who made the request later says that it is not to be treated as confidential and/or releases the PBO costing response in full.

The only exception is where costing requests are lodged with the PBO during the caretaker period – these must be publicly released by the PBO.

All PBO costing responses not subject to the confidentiality provisions are published on the Costings page of the PBO website.

Are PBO costings different to the costings in the Government's budget?

PBO costings are generally comparable to those prepared by government agencies for the budget (usually either by the Department of the Treasury or the Department of Finance).

The PBO uses the same budget rules, economic parameters and costing conventions, as well as comparable models and data. However, sometimes the PBO may make different assumptions from government, and this may result in different costing estimates.

PBO costings always include:

- budget impacts over the full medium term (the budget year plus the next 10 years, rather than only the next 3 years, known as the 'forward estimates')
- an assessment of how policy changes would impact public debt interest payments.

Not just costings

In addition to policy costings, parliamentarians can also request analysis of the budget from the PBO. These requests can ask for any information about the budget or fiscal policy settings. For example:

- the amount of money allocated to a particular program, including spent and available funds
- a breakdown of the components of spending on government programs or of revenue measures and the projected budget impacts in each year.

When costing commitments for the *Election Commitments Report (ECR)* the PBO primarily draws on statements that have been made in public. For more information see the PBO's *Guide to the ECR*.



Parts of a costing

A typical PBO costing will include the following parts:

The numbers correspond to the numbered sections in our example costing minute (below).

1

Expiry date: All policy costings have a date from which they are no longer valid (the ‘expiry date’). This is usually the date of the next budget update, which typically occur twice a year. After the expiry date the cost estimate may no longer be accurate. This can occur because of changes in a number of factors, such as:

- updates to the economic outlook
- new government policies, which change the baseline used in the costing
- new data is released, or historical data is revised
- new information becomes available to inform the assumptions made in the costing
- improvements to the methodology or model.

2

Policy specifications: The ‘specifications’ of a policy are all the details the PBO needs to cost the proposal. They are provided by the parliamentarian who made the policy costing request and are listed under the ‘Summary of proposal’ section of the costing minute. Specifications may include details such as:

- the aim of the policy
- details of any changes to current policy settings (such as tax rates, grant amounts, eligibility criteria, financing arrangements, etc)
- implementation details (such as which agency will administer the policy)
- the policy’s start date
- whether the policy is ongoing or terminating (and if it is terminating, the end date)
- any additional analysis the requestor would like included in the costing minute.

The specifications do not dictate *how* we cost the policy, just *what* we are costing. All decisions relating to the model we use, data, assumptions and methodology are made independently by the PBO, using our best professional judgement. For example, we may have a different view to the requesting parliamentarian on the expected take-up rate for a policy.

3

Overview: Provides commentary on the total financial impact over the forward estimates (the budget year and following 3 years) and, if applicable, medium term (the forward estimates plus the following 7 years), links to any relevant PBO guidance, and references to any included attachments.

The overview may also include a sensitivity statement, which identifies the levels of certainty we have that the actual impact of the policy would align with the costing, if implemented, and highlights any particularly uncertain elements of the costing. Common factors affecting the reliability of the costing estimate include the reliability of the baseline budget data, the availability of information to help develop cost estimates and the likelihood of behavioural responses.

4

Financial impacts: The financial implications of the proposal are presented over the forward estimates in Table 1, and over the medium term in Attachment A.

All costings provide the financial impacts on the fiscal and underlying cash balance. Where the policy relates to financial investments, such as student loans or equity injections, the impacts are also provided on the headline cash balance. You can find detailed information on what is captured by each budget balance in the PBO's Online budget glossary, under 'Budget aggregates'.

The financial impacts reflect the *change* in the budget balance due to the policy, when compared to the last budget update. For example, for a policy that spent an extra \$1 billion per year on a government program costing \$10 billion per year, the PBO costing would show \$1 billion per year.

The impact on the budget can be either:

- Positive, meaning the policy increases revenue or reduces expenses.
A positive costing means the policy will increase the surplus or reduce the deficit.
- Negative, meaning the policy reduces revenue or increases expenses.
A negative costing means the policy will reduce a surplus or increase the deficit.

5

Assumptions: The PBO may need to make assumptions to fill in gaps in the data or information underlying the costings, or to take into account likely behavioural responses. This section summarises the key assumptions if any are made in the costing. They can be based on a combination of empirical evidence, theoretical conjecture, and the PBO's professional judgement.

6

Methodology: Details how the costs were calculated, including the type of model used and the general processes followed to produce the costing estimates.

7

Data sources: Provides details of the data and other sources of information used in preparing the costing's estimates. The data can come from a range of sources, and the level of detail can differ significantly. Much of the data we use is publicly available information from sources such as the Australian Bureau of Statistics or data.gov.au.

In addition to public sources, the PBO is able to access a wide range of confidential data and models from Australian Government agencies under a memorandum of understanding arrangement. Depending on the request, this can range from financial information like program expenditure estimates, through to de-identified information on payments and transfers at the individual level from administrative databases.

8

Public debt interest (PDI): The borrowing costs of the government, mainly incurred through issuing and servicing government debt, and recorded as a cost to the government in the budget.

Every policy costing with a financial impact will change the level of PDI. While the long-standing convention in the budget is not to attribute PDI to any individual policy measure, the PBO includes the impacts of PDI in every costing to improve understanding of how policy changes impact public debt.

When the policy costing involves financial asset transactions, the PBO includes PDI in the budget aggregates in Table 1 and Attachment A. For all other costings, PDI is only presented as a memorandum item in a separate table in Attachment A.

Example costing minute

The below is an excerpt from the publicly released costings which can be found on the [Costings](#) page of the PBO website and shows parts of a typical PBO costing.

Click on the numbers to view the descriptions of each part.

Policy costing

Increase of the Assistance for Isolated Children (AIC) boarding allowance		
Person/party requesting the costing:	Senator Canavan, The Nationals	
Date costing completed:	14 March 2025	
Expiry date of the costing:	1 Release of the next economic and fiscal outlook report	
Status at time of request:	Submitted outside the caretaker period	
	<input type="checkbox"/> Confidential	<input checked="" type="checkbox"/> Not confidential
Summary of proposal:		
The proposal would increase the Basic Boarding Allowance (BBA) under the Assistance for Isolated Children (AIC) Scheme by \$4,000 per year. The proposal has 2 options: 2		
<ul style="list-style-type: none">• Option 1: Annual indexation of the BBA would be in line with the Consumer Price Index (CPI) as per the current arrangements.• Option 2: Annual indexation of the BBA would be in line with the CPI Education subgroup (CPI Education). The Additional Boarding Allowance (ABA) would also be indexed to the CPI Education.		
The proposal would commence on 1 January 2027 and be ongoing.		

Overview 3

The proposal would be expected to decrease the fiscal and underlying cash balances by between \$23.7 million (Option 1) and \$24.3 million (Option 2) over the 2024-25 Budget forward estimates period (see Table 1). This impact reflects an increase in administered expenses.

The proposal would be expected to have an impact beyond the 2024-25 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2034-35 is provided at Attachment A.

The estimates are sensitive to the assumptions around the eligible population and future movements in the indexation parameters.

The Parliamentary Budget Office (PBO) has not made any assessment as to whether the specified increase in the allowance would be sufficient to meet the objectives of the proposal.

Table 1: Increase of the Assistance for Isolated Children (AIC) boarding allowance – Financial implications (\$m)^{(a)(b)}

	2024-25	2025-26	2026-27	2027-28	Total to 2027-28
Option 1: Increase the BBA by \$4,000 per child, indexed to the CPI					
Fiscal balance	-	-	-7.9	-15.8	-23.7
Underlying cash balance	-	-	-7.9	-15.8	-23.7
Option 2: Increase the BBA by \$4,000 per child, indexed to the CPI Education					
Fiscal balance	-	-	-7.9	-16.4	-24.3
Underlying cash balance	-	-	-7.9	-16.4	-24.3

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

.. Not zero but rounded to zero.

- Indicates nil.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Any behavioural response from families in remote areas to increase uptake of the BBA under the proposal would be negligible.
- The number of BBA and ABA recipients would decline over the costing period in line with historical average, by 2.9% and 1.2% respectively.
 - The proposal is assumed to not significantly affect this long-run trend decline.
 - The decline coincides with an increase in the number of Distance Education Allowance recipients of 12.8% per annum on average over the past 10 years.
- ABA recipients would receive payment at the maximum rate available.
- The CPI Education would grow at around 4% per annum over the costing period, consistent with historical patterns where the CPI Education has been on average 1.5 percentage points higher than the CPI.
- As per current indexation arrangements, the BBA and the ABA would be indexed on 1 January of each year.
- There would be no departmental costs associated with the proposal.

Methodology

Option 1

The administered expenses were estimated by multiplying the projected number of recipients by the additional payment as specified, while keeping the existing indexation arrangements.

Option 2

The administered expenses for the BBA were estimated by multiplying the projected number of recipients by the additional payment as specified and changing indexation to CPI Education.

The administered expenses for the ABA reflect the difference in indexation between the baseline (indexed to the CPI) and under the proposal (indexed to the CPI Education).

- The number of eligible recipients and the CPI Education were estimated as per the *Key Assumptions*.

Financial implications were rounded consistent with the PBO's rounding rules.¹

Data sources

Australian Bureau of Statistics, 2025. *Consumer Price Index, Australia*, Available at [Consumer Price Index, Australia, December Quarter 2024 | Australian Bureau of Statistics](#), accessed 6 March 2025.

Department of Social Services provided information on the historical number of recipients for the Basic Boarding Allowance, Additional Boarding Allowance and Distance Education Allowance.

The Department of the Treasury provided economic parameters as at 2024-25 MYEFO.

Attachment A – Increase of the Assistance for Isolated Children (AIC) boarding allowance – Financial implications

Table A1: Increase of the Assistance for Isolated Children (AIC) boarding allowance – Option 1: Increase the BBA by \$4,000 per child, indexed to the CPI - Fiscal and underlying cash balances (\$m)^(a)

4	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Administered													
<i>Basic Boarding Allowance</i>	-	-	-7.9	-15.8	-15.8	-15.7	-15.6	-15.6	-15.5	-15.4	-15.4	-23.7	-132.7
Total (excluding PDI)	-	-	-7.9	-15.8	-15.8	-15.7	-15.6	-15.6	-15.5	-15.4	-15.4	-23.7	-132.7

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A2: Increase of the Assistance for Isolated Children (AIC) boarding allowance – Option 1: Increase the BBA by \$4,000 per child, indexed to the CPI - Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

8	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
<i>Fiscal balance</i>	-	-	-0.2	-0.7	-1.5	-2.3	-3.1	-3.9	-4.8	-5.8	-6.7	-0.9	-29.0
<i>Underlying cash balance</i>	-	-	-0.1	-0.6	-1.3	-2.1	-2.9	-3.7	-4.6	-5.5	-6.5	-0.7	-27.3

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary².

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: Increase of the Assistance for Isolated Children (AIC) boarding allowance – Option 2: Increase the BBA by \$4,000 per child, indexed to the CPI-Education - Fiscal and underlying cash balances (\$m)^(a)

4	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Administered													
<i>Basic Boarding Allowance</i>	-	-	-7.9	-16.3	-17.1	-18.0	-18.8	-19.7	-20.6	-21.5	-22.3	-24.2	-162.2
<i>Additional Boarding Allowance</i>	-	-	..	-0.1	-0.1	-0.2	-0.2	-0.3	-0.4	-0.4	-0.5	-0.1	-2.2
Total (excluding PDI)	-	-	-7.9	-16.4	-17.2	-18.2	-19.0	-20.0	-21.0	-21.9	-22.8	-24.3	-164.4

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

.. Not zero but rounded to zero.

- Indicates nil.

Table A4: Increase of the Assistance for Isolated Children (AIC) boarding allowance – Option 2: Increase the BBA by \$4,000 per child, indexed to the CPI-Education - Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

8	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
<i>Fiscal balance</i>	-	-	-0.2	-0.7	-1.5	-2.4	-3.4	-4.4	-5.5	-6.8	-8.2	-0.9	-33.2
<i>Underlying cash balance</i>	-	-	-0.1	-0.6	-1.3	-2.2	-3.1	-4.1	-5.3	-6.5	-7.8	-0.7	-31.1

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary³.

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

For more explanations of key budget terms, see the PBO's [Online budget glossary](#).

The PBO has also published a range of advice which provides further information on costings and their components:

- [What is a PBO costing?](#) – explains in more detail what a costing is, how it is produced and how a PBO costing minute should be interpreted.
- [PBO costing processes, timeframes and prioritisation framework](#) – provides information on the costing process, the factors that affect how long it takes for the PBO to respond to costing requests, and how the PBO prioritises competing demands for costing resources.
- [Behavioural assumptions and PBO costings](#) – details how the PBO determines behavioural assumptions to use when costing a policy.
- As part of our commitment to transparency, the PBO has published a [list](#) of the detailed behavioural assumptions used in published costings, along with the justification for each assumption.
- [Including broader economic effects in policy costings](#) – discusses the challenges of incorporating broader economic effects in policy costings and the PBO's approach.
- [Factors influencing the reliability of policy proposal costings](#) – explains the factors that commonly affect the reliability of costing estimates and how these are reflected in PBO costing advice.

Feedback

If you found this report useful, or have suggestions for improvement, please provide feedback to feedback@pbo.gov.au.