



**Parliament of Australia**  
**Parliamentary Budget Office**

**Phil Bowen PSM FCPA**  
**Parliamentary Budget Officer**

Senator Richard Di Natale  
Leader of the Australian Greens  
Parliament House  
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Harm Reduction in Health: Innovation Fund* (letter of 28 June 2016).

The response to this request will be released on the PBO website ([www.pbo.gov.au](http://www.pbo.gov.au)).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

29 June 2016



## Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Harm Reduction in Health: Innovation Fund
Summary of proposal:	<p>The proposal would establish a Harm Reduction Innovation Fund (the Fund), committing \$10 million per annum over four years from 2016-17 to 2019-20.</p> <p>The Fund would foster the implementation of innovative harm reduction strategies in Australia by:</p> <ul style="list-style-type: none"><li>• prioritising investment in harm reduction measures that assist in building an evidence base for wider implementation of effective strategies</li><li>• exploring and reviewing global harm reduction initiatives to keep up with international best practice, and restore our reputation as a leader in innovation in drug policy</li><li>• ensuring initiatives are evaluated and have safety controls and ethical approvals.</li></ul> <p>Departmental expenses would be additional to the proposed annual spending commitments.</p> <p>The proposal would have effect from 1 September 2016.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	18 May 2016 <a href="http://greens.org.au/harm-reduction">http://greens.org.au/harm-reduction</a>
Date costing request received:	28 June 2016
Date costing completed:	29 June 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

## Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$41.8 million over the 2016-17 Budget forward estimates period. This impact reflects an increase in administered expenses of \$40.0 million and an increase in departmental expenses of \$1.8 million over this period.

The proposal would not have an impact beyond the forward estimates period as the proposal would terminate in 2019-20. Detailed financial implications are provided at [Attachment A](#).

This costing is considered to be of high reliability as it is based on specified capped amounts and the application of administrative costs based on similar programs. However, no analysis has been undertaken to determine the adequacy of the prescribed funding amounts to achieve the objectives of the proposal.

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-10.4	-10.5	-10.5	-10.5	<b>-41.8</b>
Underlying cash balance	-10.4	-10.5	-10.5	-10.5	<b>-41.8</b>

(a) A negative number indicates a decrease in the relevant budget balance.

(b) Figures may not sum to totals due to rounding.

## Key assumptions

It has been assumed that, despite the implementation date of 1 September 2016, \$10 million in grant funding would be delivered in 2016-17.

## Methodology

Administered expenditure estimates for the Harm Reduction Innovation Fund are as specified in the request. Departmental expenditure estimates are based on other like initiatives and the net effect of indexation parameters and the efficiency dividend is accounted for, in accordance with the Department of Finance's costing practices.

## Data sources

The Department of Finance provided indexation and efficiency dividend parameters.

## Attachment A: Harm Reduction in Health: Innovation Fund —financial implications

**Table A1: Harm Reduction in Health: Innovation Fund—Impact on fiscal and underlying cash balances<sup>(a)(b)</sup>**

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered expenses	-10.0	-10.0	-10.0	-10.0	-40.0
Departmental expenses— Department of Health	-0.4	-0.5	-0.5	-0.5	-1.8
<b>Total</b>	<b>-10.4</b>	<b>-10.5</b>	<b>-10.5</b>	<b>-10.5</b>	<b>-41.8</b>

(a) A negative number indicates an increase in expenses in both accrual and cash terms.

(b) Figures may not sum to totals due to rounding.