



Parliament of Australia
Parliamentary Budget Office

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Parliamentary Budget Officer

Senator Christine Milne
Leader of the Australian Greens
Parliament House
CANBERRA ACT 2600

Dear Senator Milne

Please find attached a response to your costing request, *Abolition of income management* (letter of 14 August 2013).

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

If you have any queries about this costing, please do not hesitate to contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

20 August 2013



COSTING – ELECTION CARETAKER PERIOD

Name of proposal to be costed:	Abolition of income management
Summary of proposal:	<p>The proposal would abolish income management programs across Australia.</p> <p>The proposal would have effect from 1 January 2014.</p>
Person/party requesting costing:	Senator Christine Milne, Australian Greens Party
Date costing request received:	14 August 2013
Date costing completed:	20 August 2013
Date of public release of policy:	29 July 2013
Agencies from which information was obtained:	<ul style="list-style-type: none">• Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)• Department of Human Services (DHS)

Costing overview

This proposal is expected to increase the underlying cash balance by \$91.0 million and increase the fiscal balance by \$92.2 million over the 2013-14 Budget forward estimates period. This impact is entirely due to a reduction in expenses.

The underlying cash balance impact of this proposal differs slightly from the fiscal balance impact because of minor differences in the timing of when departmental expenses are incurred and paid.

Current funding for income management in the Northern Territory ceases in 2014-15, whilst funding for income management in other jurisdictions continues until 2015-16. DHS has advised that there will be costs of around \$11 million associated with winding up the scheme which will reduce the savings that can be recovered relative to the amount in the 2013-14 Budget forward estimates. These wind up costs are taken into account in the costing.

The costing is considered to be of medium reliability. While the gross savings are based on Pre-election Economic and Fiscal Outlook (PEFO) estimates currently allocated to FaHCSIA and DHS, DHS has noted some uncertainty regarding the estimated costs for winding up income management.

POLICY COSTING – ELECTION CARETAKER PERIOD

Table 1: Financial implications (outturn prices)^(a)

Impact on	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	43.3	25.6	22.1	-
Fiscal balance (\$m)	43.8	26.0	22.4	-

(a) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms

Methodology

The estimates in this costing are based on reversing funding currently allocated to FaHCSIA and DHS for income management net of the estimated costs associated with winding up the scheme. The estimate for 2013-14 includes a half-year impact for the income management savings as the costing assumes a 1 January 2014 commencement date as per costing request.

Data sources

The estimates for income management programs across Australia were obtained from FaHCSIA and DHS. DHS also provided estimates for costs associated with ceasing income management.