



**POLICY COSTING REQUEST – DURING THE CARETAKER PERIOD FOR A
GENERAL ELECTION**

Name of policy:	Abolition of Income Management
Person requesting costing:	Senator Milne
Date of request to cost the policy:	14 August 2013
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (i.e. from the Treasury or the Department of Finance and Deregulation)?	No
Details of the public release of this policy (Date, by whom and a reference to that release)	29 July 2013, Senator Milne / Senator Siewert http://rachel-siewert.greensmps.org.au/content/media-releases/greens-call-abandonment-income-management
Description of policy:	
Summary of policy (as applicable, please attach copies of relevant policy documents):	Abolition of the income management scheme introduced as part of the Stronger Futures Package of intervention into indigenous communities in the Northern Territory and subsequently extended to other parts of the nation.
What is the purpose or intention of the policy?	Save the cost of the ineffective income management programme, which makes people feel embarrassed and stigmatised.
What are the key assumptions that have been made in the policy, including:	
Is the policy part of a package? If yes, list and outline components and interactions with proposed or existing policies.	No
Where relevant, is funding for the policy to be demand driven or a capped amount?	
Will third parties (for instance the States/Territories) have a role in funding or delivering the policy? If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?	No
Are there associated savings, offsets or expenses? If yes, please provide details.	Yes. This policy winds up an existing Government programme. \$95million was budgeted for the NT component in 2013-14.

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	There is also \$52 million in the targeted locations income management forward estimates for 2013-15. Other estimates suggest that approximately \$13.5 million in being spent annually in WA. A summary of the allocations set out across budget papers can be found in the parliamentary library briefing, <i>Income Management: an Overview</i> , 21 June 2012.			
Does the policy relate to a previous budget measure? If yes, which measure?	Yes			
If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?	Yes, see above.			
Will the funding/program cost require indexation? If yes, list factors to be used.	No			
Expected impacts of the proposal				
If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis?				
Estimated financial implications (outturn prices) ^(a)				
	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)	55	27	22	0
Fiscal balance (\$m)	56	27	22	0
(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 positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.				
What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?				
Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?	Yes, by the PBO, 17 May 2013.			
What is the expected community impact of the policy? How many people will be affected by the policy? What is the likely take up? What is the basis for these impact	At Senate Estimates in October 2012, the Department of Human Services indicated that there was currently about 2,000 people on income management who would be affected by this policy. If the Government significantly increased recruitment to the programme, more people would be affected. The Government			

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assessments/assumptions?	has projected a recruitment target of approximately 8,000 people in total, across the current sites. As income management operates through a range of retailers who provide allow customers to shop using the basics card, some retailers will also be affected by this policy.
Administration of policy:	
Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc.)?	Department of Human Services
Should departmental expenses associated with this policy be included in this costing? If no, will the Department be expected to absorb expenses associated with this policy? If yes, please specify the key assumptions, including whether departmental costs are expected with respect to program management (by policy agencies) and additional transactions/processing (by service delivery agencies).	No
Intended date of implementation.	1 January 2014
Intended duration of policy.	Ongoing
Are there transitional arrangements associated with policy implementation?	No
List major data sources utilised to develop policy (for example, ABS cat. no. 3201.0).	Parliamentary library briefing, <i>Income Management: an Overview</i> , 21 June 2012
Are there any other assumptions that need to be considered?	No
<p>NOTE:</p> <p><i>Please note that:</i></p> <ul style="list-style-type: none"> <i>The costing will be on the basis of information provided in this costing request.</i> <i>The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.</i> 	