



Policy costing

Reinstate Indigenous Affairs funding, and address selected First Nations issues

Party:

Australian Greens

Summary of proposal:

This proposal has six components. The proposal would have effect from 1 July 2019.

- Component 1: Provide capped funding of \$50 million over three years to establish a body such as the Makaratta Commission suggested in the Uluru Statement from the Heart, which, as per that Statement, would 'supervise a process of agreement-making between governments and First Nations and truth-telling about our history'.
- Component 2: Establish a First Nations Voice in Parliament (and in the Constitution) with the following elements.
 - Element 1: Consultation on a constitutional referendum on constitutional recognition. This consultation would follow a similar process to the Referendum Council. Funding allocated under the 2019-20 Budget measure *Constitutional recognition of ATSI Peoples – co-design process* would be redirected to this consultation.
 - Element 2: Hold a referendum on establishing a First Nations Voice.
The referendum would occur within 12 months of the proposal's start date.
- Component 3: Address the high incarceration rates of First Nations people.
 - Element 1: Establish an interdepartmental taskforce to develop a national, whole-of-government strategy to address incarceration rates modelled on the Child Abuse Royal Commission Implementation Taskforce that was established to oversee the implementation of the recommendations of the Royal Commission into Institutional Responses to Child Sexual Abuse. This Taskforce would be funded over the 2019-20 Budget forward estimates period.
 - Element 2: Provide funding of \$10 million over four years to establish a National Centre for Justice Reinvestment. Justice reinvestment is a comprehensive, data-driven approach to reducing criminal justice system expenditure and improving outcomes, with identified cost savings reinvested to further improvements.
 - Element 3: Provide \$50 million over four years for a Justice Reinvestment Grants Program.
Elements 2 and 3 would have the following functions.
 - ◆ Identify data required to implement a justice reinvestment approach and to establish a national approach to collecting justice indicator data.
 - ◆ Provide advice on methodology regarding justice reinvestment.
 - ◆ Identify the national, consistent data required for effective implementation of justice reinvestment.
 - ◆ Develop options for policy and initiatives to reduce incarceration levels and identify potential savings for corrections budgets.

- ◆ Assist with justice mapping, for example, to identify existing services (and gaps in services) that are required to reduce crime.
- ◆ Broker agreements between stakeholders.
- ◆ Provide independent evaluation of programs and estimated savings.
- ◆ Monitor reinvestment of savings in communities, identified through justice mapping.
- ◆ Administer the Justice Reinvestment Grants Program.

Where relevant, any departmental costs required are to be in addition to the specified capped amounts.

- Component 4: Reduce the number of First Nations children in out-of-home care.
 - Element 1: Provide \$50 million over four years for First Nations children in out-of-home care projects.
 - Element 2: Provide \$300,000 to review parental consent requirements for identity documents to remove barriers for children and young people in out-of-home care.
 - Element 3: Double the rate of the Transition to Independent Living Allowance to provide extra support for young people at a crucial transition point.
- Component 5: Provide \$500 million from the savings achieved through the introduction of the Indigenous Advancement Strategy as at the 2014-15 Budget.
 - The \$500 million, in 2014 dollar terms, would be adjusted for inflation using the consumer price index (CPI) and include projected CPI increases over the funding period.
- Component 6: Provide \$50 million, spread evenly over three years, for a pathway towards a treaty.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$919 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$698 million and an increase in departmental expenses of \$221 million.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is provided at [Attachment A](#). Only Element 3 of Component 4 of the proposal would be expected to have an ongoing administered expense impact of around \$2 million each year beyond the 2019-20 Budget forward estimates period.

Component 2's estimated financial implications are sensitive to the actual structure and process used to conduct the constitutional referendum and the associated consultation process.

Element 1 of Component 3's estimated financial implications are sensitive to the assumed structure of the interdepartmental taskforce. The administered expenses of Elements 2 and 3 of Component 3 are certain and are based on specified capped amounts. The departmental expenses of Elements 2 and 3 of Component 3 are sensitive to the assumed mechanisms involved in implementing the National Centre for Justice Reinvestment and the Justice Reinvestment Grants Program.

The estimated financial implications of Elements 1 and 2 of Component 4 are based on specified capped funding amounts. The departmental expenditure component for Element 1 of Component 4 is sensitive to the assumed staff size and costs incurred in delivering projects for First Nations children in out-of-home care.

Table 1: Financial implications (\$m)^(a)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-261	-228	-231	-199	-919
Underlying cash balance	-261	-228	-231	-199	-919

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

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

Component 2

- The consultation process in Element 1 would follow a similar process to the Referendum Council's consultation process that was funded through the 2016-17 Budget measure *Towards Constitutional Recognition of Aboriginal and Torres Strait Islander peoples*.
 - The consultation costs would be fully incurred in 2019-20.
- A constitutional referendum would be held within 12 months of the start date of the proposal and no public funding would be provided to outside campaign groups.
 - The referendum would be held separately to the next general election.

Component 3

- The administered expenditure items of the interdepartmental taskforce consist of expenditure items equivalent to the Prime Minister's Indigenous Advisory Council as at the 2018-19 Budget.
- Twice as many support staff would be required for the inter departmental taskforce compared to the Indigenous Advisory Council as at the 2018-19 Budget.
- The administered expenses of the interdepartmental taskforce would be indexed by the CPI.
- The specified capped funding amounts for Elements 2 and 3 are split evenly over four years.
- Elements 2 and 3 would require departmental expenses to carry out the functions identified by the requestor.

Component 4

- The specified capped funding for Element 1 would be split evenly over four years. Departmental expenses are based on the 2016-17 Budget measure *National Framework for Protecting Australia's Children – Third Action Plan 2015–18*.
- The specified capped funding for Element 2 would be fully spent in the first year of the proposal.
- The annual growth in the recipient population for the Transition to Independent Living Allowance in each financial year over the period 2019-20 to 2029-30 would be equal to the average projected annual growth in the Australian population aged 15 to 24 over the same period. Growth in the Australian population was converted from calendar years to financial years.
- Recipients will claim all of the increase to the Transition to Independent Living Allowance.

Methodology

Components 1 and 6

The expenses for these components are based on the specified capped funding amounts. The PBO has not undertaken any analysis to assess whether the proposed expenditures would be sufficient to achieve the objectives of these components.

Component 2

The net administered expenses for Element 1 were estimated as the cost of national consultation activities undertaken by the Referendum Council regarding recognising Aboriginal and Torres Strait Islander peoples in the Constitution, indexed by the wage cost index 3 and adjusted for funding under the 2019-20 Budget measure *Constitutional recognition of ATSI Peoples – co-design process*.

The departmental expenses for Element 2 were based on the Australian Electoral Commission's estimated costs of conducting the *Marriage Equality Plebiscite Bill 2015* as if it was a referendum and a stand-alone event, indexed by the CPI and the projected growth of Australia's population to 2019-20.

Component 3

The administered expenses for Element 1 were estimated by calculating the costs of establishing an interdepartmental taskforce with equivalent expenditure items as the Prime Minister's Indigenous Advisory Council as at the 2018-19 Budget, indexed by the CPI.

The administered expenses for Elements 2 and 3 were based on the specified capped funding in the proposal.

The departmental expenses for Element 1 were derived by scaling up the current staffing levels of the Prime Minister's Indigenous Advisory Council to the estimated staffing levels of the interdepartmental taskforce, adjusted by the net effect of wage cost index 3 and the efficiency dividend.

Departmental expenses for Elements 2 and 3 were based on the costs associated with the administration of other programs with similar-sized budgets and/or purpose.

Component 4

The administered expenses for Element 3 were calculated by multiplying the additional cost of the Transition to Independent Living Allowance per recipient by the projected number of Transition to Independent Living Allowance recipients. The number of recipients per year was projected by growing historical data on the actual number of recipients by average projected growth in the Australian population aged 15 to 25 as described above.

Departmental expenses for Element 1 were estimated based on the 2016-17 Budget measure *National Framework for Protecting Australia's Children – Third Action Plan 2015–18*, with the remainder of the specified capped funding going to administered expenses.

The departmental expenses for Element 2 were specified in the proposal.

Component 5

The administered expenses were based on the specified funding level of \$500 million in 2014-15 terms. This funding was indexed by the CPI to 2019-20 and divided by four to arrive at the specified funding for 2019-20. Funding amounts for years 2020-21 to 2022-23 were calculated by growing 2019-20 funding by the CPI.

All estimates were rounded to the nearest \$1 million.

Data sources

Australian Electoral Commission, 2015. *Submission to the inquiry into the matter of a popular vote, in the form of a plebiscite or referendum, on the matter of marriage in Australia*. [Online] Available at: https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Legal_and_Constitutional_Affairs/Marriage_Plebiscite/Submissions [Accessed 26.07.2018].

Commonwealth of Australia, 2014. *2013-14 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2017. *2016-17 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2018. *2017-18 Budget*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2019. *2019-20 Budget*, Canberra: Commonwealth of Australia.

The Department of Finance provided indexation parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of the Prime Minister and Cabinet provided the information and costing models related to the Prime Minister's Indigenous Advisory Council as at the 2018-19 Budget.

Department of Social Services, 2017. *Annual Report 2016-17*. [Online] Available at: https://www.dss.gov.au/sites/default/files/documents/10_2017/dss-annual-report-2016-17_mg.pdf [Accessed 13.07.2018].

Department of Social Services, 2018. *Annual Report 2017-18*. [Online] Available at: https://www.dss.gov.au/sites/default/files/documents/10_2018/dss_annual_report.pdf [Accessed 06.03.2019].

The Treasury provided demographic projections as at the 2019 Pre-election Economic and Fiscal Outlook.

Referendum Council, 2018. *Final Report of the Referendum Council*. [Online] Available at: www.referendumcouncil.org.au/final-report [Accessed 13.07.2018].

Attachment A – Reinstate Indigenous Affairs funding, and address selected First Nations issues – financial implications

Table A1: Reinstate Indigenous Affairs funding, and address selected First Nations issues – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Expenses					
<i>Administered</i>					
<i>Component 1 – Establish a body to supervise agreement making</i>	-	-	-	-	-
<i>Component 2 – Establish a voice in Parliament</i>	-8	-	-	-	-8
<i>Component 3 – Address the high incarceration rates</i>	-16	-16	-16	-15	-64
<i>Component 4 – Reduce the number of First Nations children in out-of-home care</i>	-13	-13	-13	-13	-53
<i>Component 5 – Funding for First Nations people</i>	-139	-142	-145	-148	-573
<i>Component 6 – Funding for a pathway towards a treaty</i>	-	-	-	-	-
Total – administered	-176	-171	-174	-176	-698
<i>Departmental</i>					
<i>Component 1 – Establish a body to supervise agreement making</i>	-20	-15	-15	-	-50
<i>Component 2 – Establish a voice in Parliament</i>	-22	-	-	-	-22
<i>Component 3 – Address the high incarceration rates</i>	-6	-6	-6	-4	-22
<i>Component 4 – Reduce the number of First Nations children in out-of-home care</i>	-2	-1	-1	-1	-5
<i>Component 5 – Funding for First Nations people</i>	-18	-18	-18	-18	-72
<i>Component 6 – Funding for a pathway towards a treaty</i>	-17	-17	-17	-	-50
Total – departmental	-85	-57	-57	-23	-221
Total – expenses	-261	-228	-231	-199	-919

(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.

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

- Indicates nil.