



Parliament of Australia
Parliamentary Budget Office

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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, *Ending compulsory income management* (letter of 1 July 2016).

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

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

Yours sincerely

Phil Bowen

/ July 2016



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

Name of proposal:	Ending compulsory income management
Summary of proposal:	<p>The proposal would, from 1 September 2016, remove all forms of compulsory income management while retaining infrastructure as needed for participants who undertake income management voluntarily.</p> <p>The proposal includes a communication campaign prior to 1 September 2016 to ensure individuals are aware that compulsory income management is ceasing.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	24 June 2016 http://rachel-siewert.greensmps.org.au/content/media-releases/greens-announce-plans-reverse-income-management
Date costing request received:	1 July 2016
Date costing completed:	1 July 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

This proposal is expected to increase both the fiscal and underlying cash balances by \$60 million over the 2016-17 Budget forward estimates period. This impact reflects a decrease in departmental expenditure of \$50 million and a decrease in administered expenditure of \$10 million over this period. A breakdown of the components of the costing is at [Attachment A](#).

This costing is considered to be of medium reliability. Assumptions were made regarding the amount of funding that would need to be retained by the Department of Social Services and the Department of Human Services in order to continue income management trials for voluntary participants.

Table 1: Financial implications (outturn prices)^{(a)(b)}

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	60.0	-	-	-	60.0
Underlying cash balance	60.0	-	-	-	60.0

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

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

- Indicates nil.

Key assumptions

The Parliamentary Budget Office has assumed:

- The cost of the cashless debit card for income management for all trial sites would be largely related to infrastructure that would need to be retained in order to maintain arrangements for voluntary participants.
- No further funding would be made available to continue income management trials once current funding ends in 2016-17.

Methodology

The total cost of income management, excluding the cost of the cashless debit card, was sourced from Budget measures extending funding for income management until the end of 2016-17. To isolate the saving due to the removal of compulsory income management, this amount was reduced by the proportion of voluntary income management participants to all income management participants.

This costing does not include any ongoing financial implications of retaining voluntary income management trials beyond 2016-17 as this is not currently factored into the budget baseline.

The cost of the communication campaign (\$5 million in 2016-17) was based on the 2016-17 Budget measure, *Vocational Education and Training – information campaign*.

Data sources

- Data from the Central Budget Management System provided by the Department of Finance.
- *Income Management Summary* as at 1 January 2016 available from the Department of Social Services at <http://data.gov.au/dataset/income-management-summary-data>.
- This costing is based on the *Financial counselling, capability and resilience services in income management locations – continuation* and *Income management – two year extension* measures from the 2015-16 Budget.

Attachment A: Reversing compulsory income management—financial implications

Table A1: Reversing compulsory income management—Financial implications (outturn prices)^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Department of Social Services – administered	10.0	-	-	-	10.0
Department of Social Services – departmental	5.0	-	-	-	5.0
Department of Human Services – departmental ^(c)	45.0	-	-	-	45.0
Total	60.0	-	-	-	60.0

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

(c) Reflects savings of \$50 million related to ending compulsory income management partially offset by increased advertising expenditure of \$5 million.

- Indicates nil.