



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, *Increasing Rent Assistance by 30 per cent* (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:	Increasing Rent Assistance by 30 per cent
Summary of proposal:	<p>The proposal would progressively increase the maximum amount of Commonwealth Rent Assistance payable by 30 per cent over three years.</p> <p>The maximum rate of rent assistance would be increased by 10 per cent on 1 July 2017, 1 July 2018 and 1 July 2019.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	30 June 2016 http://greens.org.au/sites/greens.org.au/files/increasing%20rent%20assistance.pdf
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

The proposal would be expected to decrease the fiscal balance by \$2,217.0 million and decrease the underlying cash balance by \$2,196.0 million over the 2016-17 Budget forward estimates period. The decrease in the fiscal balance reflects an increase in administered expenses of \$2,216.0 million and an increase in departmental expenses of \$1.0 million over this period.

The proposal would have ongoing financial implications that extend beyond the forward estimates period. The ongoing annual impact would be in line with the impact in 2019-20, growing at around \$50 million per year.

This costing is considered to be of medium reliability. Estimates are sensitive to changes in economic and demographic factors.

The underlying cash balance implications of this proposal differ from the fiscal balance implications because there would be a delay between the recognition of Family Tax Benefit expenses incurred and the payment of these expenses.

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

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-357.0	-730.0	-1,130.0	-2,217.0
Underlying cash balance	-	-353.0	-723.0	-1,120.0	-2,196.0

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

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

Methodology

The costing estimates represent the difference between total Commonwealth financial implications under the proposal less total expected financial implications in the absence of the proposal using parameters as at the 2016 Pre-Election Economic and Fiscal Outlook.

Administered expenses were estimated using a combination of the Department of Social Services' (DSS) Policy and Evaluation Model (PoEM) and the Treasury CAPITA model.

- PoEM is based on DSS administrative data and covers the existing DSS client base, while CAPITA is based on Australian Bureau of Statistics Survey of Income and Household data which captures information for the broader population but with less detail.

PoEM was used to estimate the financial implications of the proposal for the current beneficiary population. The number of additional beneficiaries who become eligible for a part rate benefit payment as a result of the increase in rent assistance payments was estimated using CAPITA.

The elements of this costing that involve conducting reviews into the structure of Commonwealth Rent Assistance payments and linking payments to the level of rent paid, rather than the type of living arrangement people may be in, are assumed to be conducted within existing departmental funding.

Departmental estimates were calculated by multiplying the Department of Human Services (DHS) per unit processing cost by the number of new recipients that would receive rent assistance as a result of this proposal.

Administered expenses have been rounded to the nearest \$5 million. Departmental expenses have been rounded to the nearest \$1 million.

Data sources

- Rent and other dwelling service, 2016-17 Budget, Department of the Treasury.
- Policy and Evaluation Model, DSS.
- CAPITA microsimulation model, Department of the Treasury.
- DHS departmental estimates for 'Family Payment Reform - a new families package' measure contained in 2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO).

Attachment A: Increasing Rent Assistance by 30 per cent— financial implications

Table A.1: Increasing Rent Assistance by 30 per cent—Financial implications^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal balance					
<i>Administered</i>	-	-357	-730	-1,130	-2,216
<i>Departmental</i>	-	-1
Total	-	-357	-730	-1,130	-2,217
Impact on underlying cash balance					
<i>Administered</i>	-	-353	-723	-1,120	-2,195
<i>Departmental</i>	-	-1
Total	-	-353	-723	-1,120	-2,196

(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.

.. Indicates not zero, but rounded to zero.

- Indicates a nil value.