



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, *Boosting rental supply* (letter of 30 August 2013).

The response to this request will be released on the PBO website (<http://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

5 September 2013



COSTING – ELECTION CARETAKER PERIOD

Name of proposal:	Boosting rental supply
Summary of proposal:	<p>The proposal would:</p> <ul style="list-style-type: none">• review and fund another 50,000 homes under the National Rental Affordability Scheme (NRAS) and provide an additional incentive to ensure they are exemplary green buildings and come with solar PV• provide funding for 20,000 student rentals through a new University NRAS scheme• provide funding for 15,000 new rental homes through a ‘Convert to Rent’ Initiative, and• review the effectiveness of Commonwealth Rent Assistance by providing the Productivity Commission with \$180,000. <p>The proposal would have effect from 1 July 2014.</p>
Person/party requesting costing:	Senator Christine Milne, Australian Greens
Date costing request received:	30 August 2013
Date costing completed:	5 September 2013
Date of public release of policy:	28 August 2013
Agencies from which information was obtained:	<ul style="list-style-type: none">• Department of Families, Housing, Community Services and Indigenous Affairs• Australian Taxation Office

Costing overview

This proposal is expected to decrease both the underlying cash and fiscal balances by \$208.7 million over the 2013-14 Budget forward estimates period. This impact is entirely due to an increase in expenses. Departmental expenses of \$0.2 million for 2014-15 have been included to conduct a review into Commonwealth Rent Assistance, as per the costing request.

This proposal would have an ongoing impact beyond the forward estimates period.

This costing is considered to be of medium reliability because some initiatives involve capped expenditure but others rely on PBO assumptions.

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)	-	-46.7	-65.5	-96.5
Fiscal balance (\$m)	-	-46.7	-65.5	-96.5

(a) A negative number for the fiscal balance indicates an increase in expenses in accrual terms. A negative number for the underlying cash balance indicates an increase in expenditure in cash terms.

Key assumptions

Assumptions detailed in the costing request:

- These proposals are based on a ten-year timeframe.
- A co-funding arrangement with the states and territories is assumed for the additional 50,000 dwellings under the National Rental Affordability Scheme (NRAS).
- The University NRAS (UNI NRAS) is fully funded by the Commonwealth.
- Under the ‘Convert to Rent’ initiative, an additional \$5,000 would be provided for buildings to be modified for people with a disability, which is assumed to be 15 per cent or 2,250 dwellings.

The PBO has made the following assumptions regarding this costing:

- For those initiatives that extend the existing NRAS or introduce a scheme similar to the NRAS, this costing assumes the same rate of implementation and cost structure as the original NRAS scheme. The incentive is indexed according to the five-year average historical movement in the rents component of the Housing Group Consumer Price Index (CPI).
- The costing request specified that funding for some aspects of the proposal would be capped. The PBO has not made an assessment of whether the funding is sufficient to meet the policy goals.

Methodology

- For the additional 50,000 dwellings under the NRAS and the UNI NRAS, the annual cost of this proposal was calculated by multiplying the expected number of incentives per year by the full cost of the indexed incentive.
 - The PBO has used the base cost of \$10,350 per initiative in 2013-14 and this is indexed according to the five-year average historical movement in the rents component of the Housing Group CPI.
- The costing represents the sum of the amount of expenditure required for each of the proposals included in this package. The details are provided in [Attachment A](#).

POLICY COSTING – ELECTION CARETAKER PERIOD

Data sources

- ABS Cat. No. 6401.0 *Consumer Price Index, Australia*, various years
- National Rental Affordability Scheme Monthly Performance Report, 30 April 2013, available at: http://www.fahcsia.gov.au/sites/default/files/files/housing-support/nras/April13_NRAS_monthly_performance_report.pdf
- NRAS Incentive (indexation), available at: http://www.fahcsia.gov.au/sites/default/files/documents/05_2013/nras_incentive_indexation_fact_sheet_may2013.pdf

POLICY COSTING – ELECTION CARETAKER PERIOD

ATTACHMENT A: INITIATIVES IN THIS COSTING

As detailed in the request, this costing has the following components:

1. 50,000 additional NRAS incentives

This proposal would provide 50,000 additional National Rental Affordability Scheme (NRAS) incentives over 10 years.

2. GreeNRAS

This proposal would provide an additional upfront incentive of \$2,000 per NRAS dwelling to meet defined sustainable building benchmarks at a cost of \$10 million per year.

3. UNI NRAS

This proposal would provide 20,000 University National Rental Affordability Scheme (UNI NRAS) incentives over ten years.

4. Convert to Rent

The proposal would provide 15,000 new affordable rental dwellings from existing empty or underutilised buildings by providing up to \$21,000 per dwelling. An additional \$5,000 would be provided for buildings to be modified for people with a disability, which is assumed to be 15 per cent or 2,250 dwellings.

5. Review Commonwealth Rent Assistance

This proposal would provide \$0.18 million to supplement existing resources in the Productivity Commission in 2014-15 to conduct a review into the effectiveness of Commonwealth Rent Assistance.

Table A1: Financial implications of each initiative (outturn prices)^(a)

Initiative	Expense type	2013-14	2014-15	2015-16	2016-17	Total
50,000 new NRAS incentives	Administered	-	-3.0	-15.0	-35.0	-53.0
GreeNRAS incentives	Administered	-	-10.0	-10.0	-10.0	-30.0
20,000 new UNI NRAS incentives	Administered	-	-1.0	-8.0	-19.0	-28.0
Convert to rent	Administered	-	-32.5	-32.5	-32.5	-97.5
Review Commonwealth Rent Assistance	Departmental	-	-0.2	-	-	-0.2
Total		-	-46.7	-65.5	-96.5	-208.7