Budget Analysis

2015-16

Who we are

ACOSS is the peak body of the community services and welfare sector and the national voice for the needs of people affected by poverty and inequality.

Our vision is for a fair, inclusive and sustainable Australia where all individuals and communities can participate in and benefit from social and economic life.

What we do

ACOSS leads and supports initiatives within the community services and welfare sector and acts as an independent non-party political voice.

By drawing on the direct experiences of people affected by poverty and inequality and the expertise of its diverse member base, ACOSS develops and promotes socially and economically responsible public policy and action by government, community and business.

This paper was written by ACOSS policy and research staff: Jacqueline Phillips, Dr Tessa Boyd-Caine, Ro Evans, Peter Davidson, Ellen Livesey and Penny Dorsch, with assistance from Rebecca Vassarotti and input and advice from member organisations.

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Locked Bag 4777
Strawberry Hills, NSW, 2012 Australia
Email: info@acoss.org.au
Website: www.acoss.org.au

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Table of abbreviations

ACAT	Aged Care Assessment Team
ACOSS	Australian Council of Social Service
ATO	Australian Taxation Office
AYAC	Australian Youth Affairs Coalition
COSS	Councils of Social Service
CPI	Consumer Price Index
CSHC	Commonwealth Seniors Health Card
DET	Department of Education and Training
DHS	Department of Human Services
DSS	Department of Social Services
ECEC	Early Childhood Education and Care
IM	Income Management
MYEFO	Mid Year Economic and Fiscal Outlook
NATSILS	National Aboriginal and Torres Strait Islander Legal Services
NPA	National Partnership Agreement
PBI	Public Benevolent Institution

1 Overview

1.1 Summary

The impacts of this Budget must be assessed in light of the previous Budget, which casts a long shadow.

While the 2015-16 Budget delivered welcome new investment in early childhood education and care and charted a fairer path on pension reform, the combined effect of the two budgets is to leave people on low incomes to once again bear the burden of Budget restraint.

ACOSS estimates that, combined, the two budgets strip approximately $15 billion over four years from basic services and supports affecting low and middle income households, with total projected cuts of $80 billion from health and schools funding to the states over the next decade.

Disappointingly, the 2015-16 Budget retains severe cuts to payments and programs from the 2014-15 Budget, in some cases linking savings measures from 2014-15 to new spending measures, and delivers new cuts to child dental and community health programs.

At the same time, despite some modest action towards revenue repair, the Budget failed to deliver the structural reform needed to ensure Budget sustainability into the future. The experience of the 2014-15 Budget shows that the alternative approach of eroding the social safety net through cuts to services and supports will not be accepted by the community or the Parliament.

Despite a $5.5 billion package for small businesses, the Budget it unlikely to stimulate the kind of productive economic activity necessary to deliver significant jobs growth and fails to invest in skills. However, the investment in new youth transitions and mentoring programs is welcome and will partly address the gap left by the discontinuation of the previous Youth Connections program. Steps to consolidate existing wage subsidy programs to improve program flexibility are also welcome. Regrettably, instead of reversing last year's proposal to make young unemployed people wait six months for income support, the waiting period is reduced to one month and applied to a younger cohort (under 25 years). There is no justification for this measure.

The 'families package' includes necessary and overdue investment in early childhood education and care and effects structural reform to the current complex payment system. Yet key features leave it unbalanced and unfair, relying on cuts to family payments for low-income families, and providing generous subsidies to families on high incomes. Combined, the two budgets represent a $9 billion reduction in spending on family payments over the forward estimates of which approximately $6 billion in savings will adversely affect low-income households.[4]

Our analysis suggests that low-income and disadvantaged families will be significantly worse off if the 2014-15 and 15-16 Budget measures pass, notwithstanding the boost the child care investment discussed below. The impacts of payment rate freezes will be felt over time. In 2015-16, the impacts of restricting the Part B payment to families with children under 6 years

[4] Including Family Tax Benefit Part A and B and Paid Parental Leave.

will mean that a single parent with one 8 year old child stands to lose $48.50 per week[5] and a single parent with one 12 year old child stands to lose $62.50 per week due to the loss of FTB Part B and end of year supplements.

Many children in low-income families will also lose 12 hours a week of early childhood education that helps improve their life chances. Further, the changes to the Paid Parental Leave scheme announced two days before the Budget will leave many families worse off and further behind their overseas counterparts and the 26 week minimum leave period recommended to support maternal-child bonding and breastfeeding.

The reforms to the pension assets and income tests present a welcome change in direction and a fairer approach to securing the future of the retirement incomes system. We now need a similar approach to superannuation reform, which is even more important in building a strong and durable retirement income system.

The 2015-16 Budget failed to reverse the funding cuts to vital policy, advocacy and service delivery across social services, health and legal assistance and in Aboriginal and Torres Strait Islander communities. Disappointingly, it delivered new cuts to child dental health programs, community health programs and remote housing as well as a further round of cuts to the public service, with 'Smaller Government' measures across departments. This raises concerns about the capacity of the bureaucracy to provide an adequate standard of service to members of the community, especially where there is a direct interface with the community, and its capacity to provide sound policy advice to the Government.

Finally and perhaps most importantly is the story of what was missing from the 2015-16 Budget. Three days before the Budget was delivered, the Councils of Social Service (COSS) Network released a report showing that 83% of people relying on the Newstart payment or Youth Allowance do not consider it to be enough to live on with nearly half of those surveyed having unsustainable levels of personal debt, and more than a third forced to skip dental and medical appointments or forego treatments as they cannot afford to pay for them.[6] Nearly one in five reported missing meals in an effort to make ends meet.

The Budget failed to take steps to invest in affordable housing programs or to address serious gaps in the social safety net including:

- the low rate of allowance payments;
- the inadequate indexation of allowances and family payments (which are still indexed to the CPI only); and
- the low rate of Commonwealth Rent Assistance, which has failed to keep pace with rent inflation.

This Budget should have begun the work to safeguard the social safety net into the future, by trimming unfair tax concessions for superannuation and reforming negative gearing and capital gains tax breaks. Tax reform must be the next priority for responsible, fair and measured action.

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[5] Based on the difference between the current FTB Part B weekly payment rate for single income families with a child over 5 years of $59.45 per week and the proposed $14 Family Tax Benefit allowance.
[6] The COSS Network, *Payment Adequacy: A view from those relying on income support payments,* May 2015, available at: http://www.acoss.org.au/images/uploads/COSS_Network_Payment_Adequacy_Report.pdf.

1.2 Status of 2014-15 Budget measures

The 2015-16 Budget affirmed the Government's commitment to the following major savings measures from the 2014-15 Budget which disproportionately affect people on low and moderate incomes:

- Limiting Family Tax Benefit Part B to single income families with children under 6 years which will result in income losses of $48.50 a week for single parent families with children under 12;
- Freezing family payment rates for two years and reduce supplements, which will result in lower payments over time for low-income families;
- Reduced funding for hospitals and education to state and territory governments estimated at $80 billion/10 years due to changes to indexation;
- Removal of Federal funding for state concession schemes which may force some states to withdraw transport and other concessions;
- Change to the eligibility age for Newstart, which will require young people who are not employed to rely on the lower Youth Allowance for longer (this measure has been delayed by one year in the 2015-16 Budget);
- Freezing of the free area for Allowances from 2014-27 which will reduce incomes and work incentives for those working part-time (Note: the Government has abandoned moves to freeze the pension free area, instead increasing it for pensioners, but is still committed to freezing the Allowances free area);
- Abolition of the Pensioner Education Supplement will result in losses of $40 per week for eligible recipients, including many single parents;
- Extend the pension eligibility age to 70 years by 2035, which will reduce the incomes of older people looking for work who will need to rely on the lower Newstart Allowance;
- Cuts of approximately $1 billion/4 years to community services and the freezing of indexation of community services funding for 3 years, including cuts of $500 million to Aboriginal and Torres Strait Islander services and programs;
- Cuts to affordable housing and homelessness programs totalling $674.4 million/ 4 years and the resulting loss of 12,000 affordable housing dwellings.

The Government has abandoned or amended the following major savings measures from the 2014-15 Budget:

- The 6 month waiting period for young people under 30 years to access income support (this has been amended to a one month waiting period for those under 25);
- Indexing pensions to CPI instead of wages; freezing income and asset test free areas for pensions (the freeze remains for allowance payments) and lowering of deeming rates for payment tests (abandoned in favour of changes to the asset test free area and taper rates for pensions);
- The $7 GP co-payment.

The Government also remains committed to the following savings measures which have not been passed by the Parliament, but which would mainly affect people on higher incomes:

- Abolition of the Seniors Supplement, which is a $17 per week payment to older people who are ineligible for a part-pension due to significant assets or income (excluding, for existing recipients, untaxed superannuation income).

For a detailed summary of the current status of all major 2014-15 Budget savings measures, see Appendix 1.

1.3 Budget overview

The Government remains committed to delivering a Budget surplus of at least 1% of GDP by 2023-24.

1.4 State of the economy

Economic growth, measured by real GDP growth, is estimated to grow by 2¾% in 2015-16. The unemployment rate is expected to increase to 6½%, while the inflation rate for 2015-16 is estimated to be 2½%.

Table 1: Domestic economy forecasts

	Outcomes(b)	Forecasts		
	2013-14	2014-15	2015-16	2016-17
Real gross domestic product	**2.5**	**2 1/2**	**2 3/4**	**3 1/4**
Household consumption	2.2	2 3/4	3	3 1/4
Dwelling investment	5.1	6 1/2	6 1/2	4 1/2
Total business investment(c)	-5.1	-5 1/2	-7	-3 1/2
By industry				
Mining investment	-7.0	-15 1/2	-25 1/2	-30 1/2
Non-mining investment	-3.7	2	4	7 1/2
Private final demand(c)	0.9	1 1/4	1 1/4	2 1/4
Public final demand(c)	1.6	1 1/4	1 1/2	1 1/2
Change in inventories(d)	-0.3	0	0	0
Gross national expenditure	0.7	1 1/4	1 1/2	2 1/4
Exports of goods and services	5.8	6 1/2	5	6 1/2
Imports of goods and services	-1.9	-3	-1 1/2	2 1/2
Net exports(d)	1.6	2	1 1/4	1
Nominal gross domestic product	4.0	1 1/2	3 1/4	5 1/2
Prices and wages				
Consumer price index(e)	3.0	1 3/4	2 1/2	2 1/2
Wage price index(f)	2.5	2 1/2	2 1/2	2 3/4
GDP deflator	1.5	-1	1/2	2 1/4
Labour market				
Participation rate (per cent)(g)	64.6	64 3/4	64 3/4	64 3/4
Employment(f)	0.7	1 1/2	1 1/2	2
Unemployment rate (per cent)(g)	5.9	6 1/4	6 1/2	6 1/4
Balance of payments				
Terms of trade(h)	-3.7	-12 1/4	-8 1/2	3/4
Current account balance (per cent of GDP)	-3.1	-3	-3 1/2	-2 3/4

(a) Percentage change on preceding year unless otherwise indicated.
(b) Calculated using original data unless otherwise indicated.
(c) Excluding second-hand asset sales from the public sector to the private sector.
(d) Percentage point contribution to growth in GDP.
(e) Through-the-year growth rate to the June quarter.
(f) Seasonally adjusted, through-the-year growth rate to the June quarter.
(g) Seasonally adjusted rate for the June quarter.
(h) The forecasts are underpinned by spot prices of $48 ($US/t, FOB) for iron ore; $90 ($US/t, FOB) for metallurgical coal and $60 ($US/t, FOB) for thermal coal.

Note: The forecasts for the domestic economy are based on several technical assumptions. The exchange rate is assumed to remain around its recent average level — a trade-weighted index of around 64 and a $US exchange rate of around 77 US cents. Interest rates are assumed to move broadly in line with market expectations. World oil prices (Malaysian Tapis) are assumed to remain around US$64 per barrel.
Source: ABS cat. no. 5204.0, 5206.0, 5302.0, 6202.0, 6345.0, 6401.0, unpublished ABS data and Treasury.

Source: Australian Treasury (2015): *Budget 2015-16, Budget Strategy and Outlook, Budget Paper No 1* Commonwealth of Australia

1.5 State of the Budget

The Budget remains in deficit in 2015-16 by $35.1 billion or 2.1% of GDP. A deficit of $25.8 billion or 1.5% of GDP is budgeted for 2016-17.

Table 2: Australian Government Budget revenue, expenses and balances

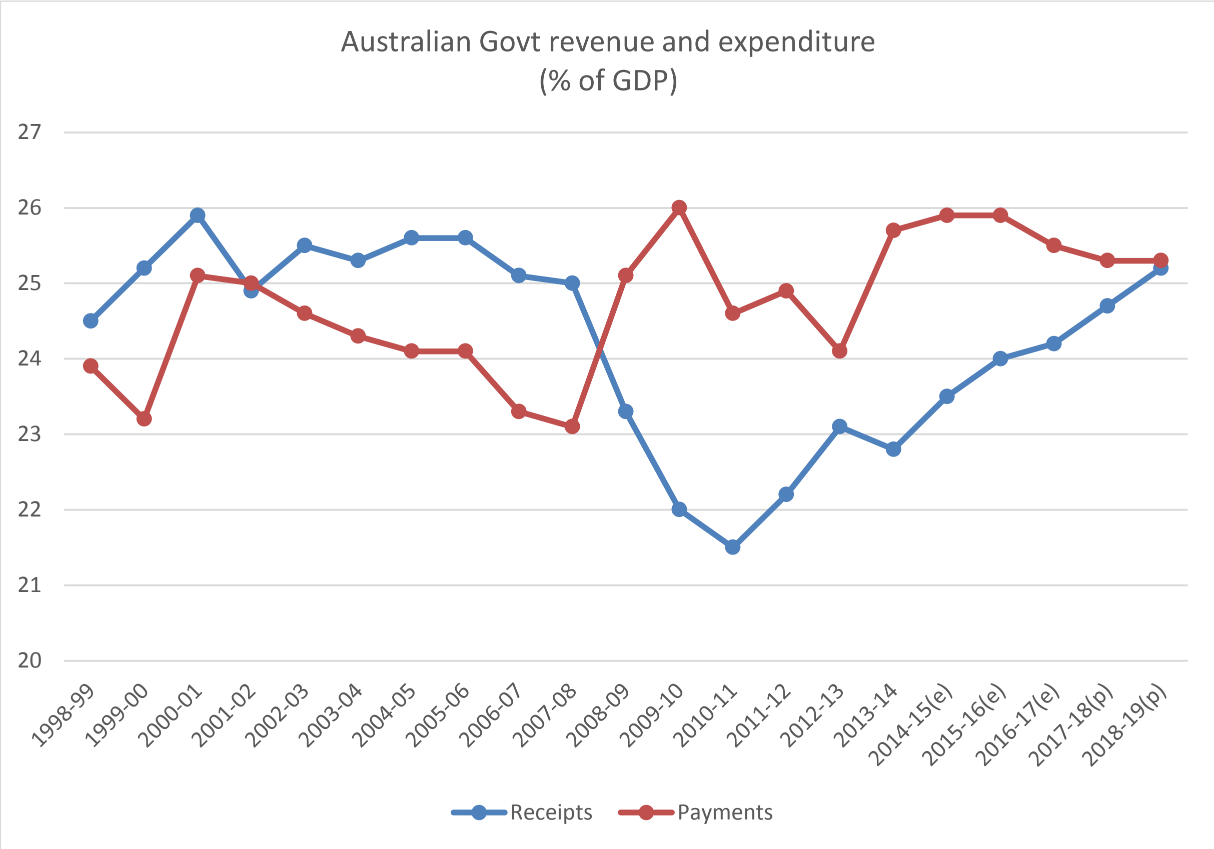
	Actual	Estimates			Projections		
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total(a)
	$b	$b	$b	$b	$b	$b	$b
Receipts	**360.3**	**377.3**	**398.0**	**422.5**	**453.6**	**488.2**	**2,139.6**
Per cent of GDP	22.8	23.5	24.0	24.2	24.7	25.2	
Payments(b)	**406.4**	**415.0**	**429.8**	**444.9**	**464.3**	**491.1**	**2,245.2**
Per cent of GDP	25.7	25.9	25.9	25.5	25.3	25.3	
Net Future Fund earnings	2.3	3.4	3.3	3.4	3.7	4.0	17.8
Underlying cash balance(c)	**-48.5**	**-41.1**	**-35.1**	**-25.8**	**-14.4**	**-6.9**	**-123.4**
Per cent of GDP	-3.1	-2.6	-2.1	-1.5	-0.8	-0.4	
Revenue	**373.9**	**384.1**	**405.4**	**433.4**	**466.2**	**501.3**	**2,190.3**
Per cent of GDP	23.6	23.9	24.5	24.8	25.4	25.9	
Expenses	**413.8**	**420.3**	**434.5**	**452.7**	**471.8**	**499.4**	**2,278.7**
Per cent of GDP	26.2	26.2	26.2	25.9	25.7	25.8	
Net operating balance	-39.9	-36.2	-29.1	-19.2	-5.6	1.9	-88.4
Net capital investment	3.8	3.1	3.9	4.2	3.6	5.1	19.9
Fiscal balance	**-43.7**	**-39.4**	**-33.0**	**-23.4**	**-9.2**	**-3.2**	**-108.2**
Per cent of GDP	-2.8	-2.5	-2.0	-1.3	-0.5	-0.2	
Memorandum item:							
Headline cash balance	-52.5	-43.2	-44.8	-43.9	-24.7	-17.3	-173.8

(a) Total is equal to the sum of amounts from 2014-15 to 2018-19.
(b) Equivalent to cash payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases.
(c) Excludes net Future Fund earnings.

Source: Australian Treasury (2015): *Budget 2015-16, Budget Strategy and Outlook, Budget Paper No 1* Commonwealth of Australia

The following figure shows trends in Government revenue and expenditure (in proportion to GDP) between 1998 and 2013, *before* the Budget changes.

Figure 1: Australian Government revenue and expenditure (% of GDP)



Source: Australian Treasury (2015): *Budget 2015-16, Budget Strategy and Outlook, Budget Paper No 1* Commonwealth of Australia

ACOSS estimates that three fifths of the deterioration in the Budget from 1998 to 2013 was due to lower revenues (including eight successive income tax cuts) and two fifths was due to higher expenditures. This Budget does little to restore public revenue. Revenue is estimated to rise to 24.5% of GDP in 2015-16, and to 24.8% in 2017-18, mainly to economic recovery and the effects of income tax 'bracket creep'.

The following table compares expenditures before and after the Budget decisions. It shows that the Budget's expenditure reductions reduce Federal Government spending to *below* their long-run average level after 2015-16. That is, the Budget continues the trend set by the last Budget in reducing the size of Government.

Table 3: Expenditure reconciliation

	MYEFO	Revised	Estimate		Projections	
	2014-15	2014-15	2015-16	2016-17	2017-18	2018-19
Total expenses ($b)	**422.9**	**420.3**	**434.5**	**452.7**	**471.8**	**499.4**
Real growth on previous year (%)(a)	-0.2	-0.2	0.9	1.7	1.8	3.3
Per cent of GDP	26.3	26.2	26.2	25.9	25.7	25.8

(a) Real growth is calculated using the consumer price index.

Source: Australian Treasury (2015): *Budget 2015-16, Budget Strategy and Outlook, Budget Paper No 1* Commonwealth of Australia

ACOSS believes that Australian Governments *should* be spending more on programs such as health, income support payments and child care, provided they are targeted appropriately. Much more emphasis should be placed on restoring public revenue and targeting programs to those who need them than we have seen in this Budget.

1.6 Effects of Budget decisions on the bottom line

Policy decisions in this Budget increase the deficit in 2015-16 by $4 billion due to:

- Expenditure measures ($3.9 billion);
- Revenue raising measures ($ -0.2 billion); and
- Net capital investment ($-0.09 billion).

Most of the policy-induced increase in the deficit since Mid Year Economic and Financial Outlook (MYEFO) occurs on the expenditure side (increases in spending), though this is fairly insignificant compared to the expenditure cuts left over from last year's Budget.

Table 4: Reconciliation of underlying cash balance estimates: changes from 2014-15 MYEFO to 2015-16 Budget

	Estimates			Projections	
	2014-15 $m	2015-16 $m	2016-17 $m	2017-18 $m	Total $m
Effect of policy decisions					
Receipts	45	-162	39	463	385
Payments	669	3,887	1,912	2,276	8,743
2015-16 Budget underlying cash balance (a)	-39,375	-32,972	-23,425	-9,236	-105,008

Source: Australian Treasury (2015): *Budget 2015-16, Budget Strategy and Outlook, Budget Paper No 1* Commonwealth of Australia

The following table lists the main savings measures over the next four years.

Table 5: Savings measures

	2013-14 $m	2014-15 $m	2015-16 $m	2016-17 $m	2017-18 $m
Official Development Assistance – reprioritised funding	612	601	1,222	1,689	3,521
Medicare Benefits Schedule – introducing co-payments for general practitioner, pathology and diagnostic imaging services	0	-14	1,128	1,153	1,201
Higher Education Reform – Expanding Opportunity – Higher Education Loan Program – repayment thresholds and indexation	0	334	720	906	1,194
Family Payment Reform – maintain Family Tax Benefit payment rates for two years	-1	397	720	736	747
Family Payment Reform – limit Family Tax Benefit Part B to families with children under six years of age	-1	-17	70	236	1,601
Commonwealth Public Hospitals – change to funding arrangements	0	217	260	133	1,163
Pausing indexation of some Medicare Benefits Schedule fees and the Medicare Levy Surcharge and Private Health Insurance Rebate thresholds	0	142	394	504	635
Maintain eligibility thresholds for Australian Government payments for three years	-2	161	295	445	579
Certain concessions for Pensioners and Seniors Card Holders	0	304	314	327	338
Pharmaceutical Benefits Scheme – increase in co-payments and safety net thresholds	0	145	307	367	449
Stronger participation incentives for job seekers under 30	0	221	345	353	329
Family Payment Reform – better targeting of Family Tax Benefit Part B	0	-4	379	430	440
Family Payment Reform – revise Family Tax Benefit end-of-year supplements	-1	-2	395	392	426
Higher Education Reform – Expanding opportunity – Expansion of the demand driven system and sharing the cost fairly	0	0	164	412	551
Commonwealth Seniors Health Card holders – cessation of the Seniors Supplement	0	241	260	276	282
Local Government Financial Assistance Grants – pause indexation for three years	0	96	200	308	321
Australian Apprenticeships Incentives Programme – Tools For Your Trade – cessation	0	142	255	257	260
Aged Care Payroll Tax Supplement – cessation	0	86	181	188	198
Efficiency Dividend – a further temporary increase of 0.25 per cent	0	63	124	189	193
Indigenous Affairs Programmes – rationalisation	41	163	146	118	67

Source: Australian Treasury (2015): *Budget 2015-16, Budget Overview* Commonwealth of Australia

The budget papers highlight the impact of the failure to pass key savings measures in the 2014-15 Budget on the 2015-16 deficit. These measures are detailed above and in Appendix 1. The relevant table from the budget papers is extracted below.

The table below shows the impact of the decision not to proceed with these measures:

Table 6

	Estimates		Projections			
	2014-15 $m	2015-16 $m	2016-17 $m	2017-18 $m	2018-19 $m	Total $m
Significant decisions not to proceed with prior Budget proposals						
Medicare Benefits Schedule - changes to GP rebates – reversal	-161	-628	-691	-716	-752	-2,948
Reversal of Stronger Participation Incentives for Job Seekers under 30	4	-461	-498	-507	-563	-2,025
Total impact of significant decisions not to proceed with prior Budget proposals	**-157**	**-1,089**	**-1,189**	**-1,223**	**-1,315**	**-4,973**
Impact of delays in passing legislation (a)						
Social Services	-62	0	0	0	na	-62
Employment	-9	0	0	0	na	-9
Health	-73	-80	5	0	na	-149
Industry and Science	-4	-9	0	0	na	-13
Impact of delays in passing legislation	**-148**	**-89**	**5**	**0**	**na**	**-233**
Total impact of not proceeding with, and delays in passing legislation for proposals	**-305**	**-1,178**	**-1,184**	**-1,223**	**-1,315**	**-5,205**

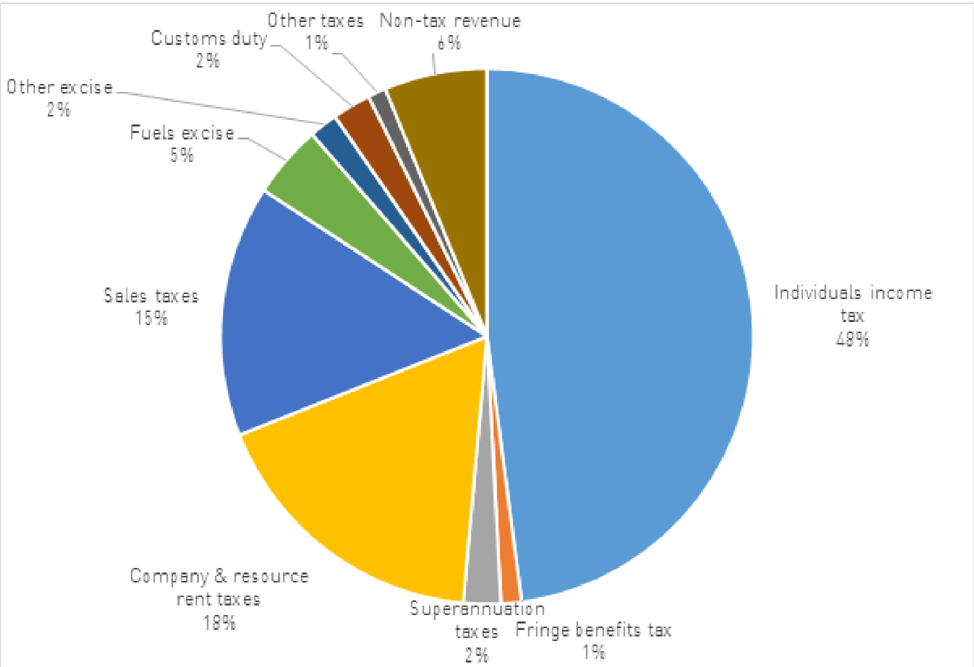
(a) Since 2014-15 MYEFO

Major spending measures impacting on the bottom line include the small business tax package ($5.5 billion/ 4 years) and the increased investment in early childhood education and care ($3.5 billion/ 5 years).

1.6.1 Profile of Government revenue and expenditure

The majority of revenue (48%) comes from individuals' income tax.

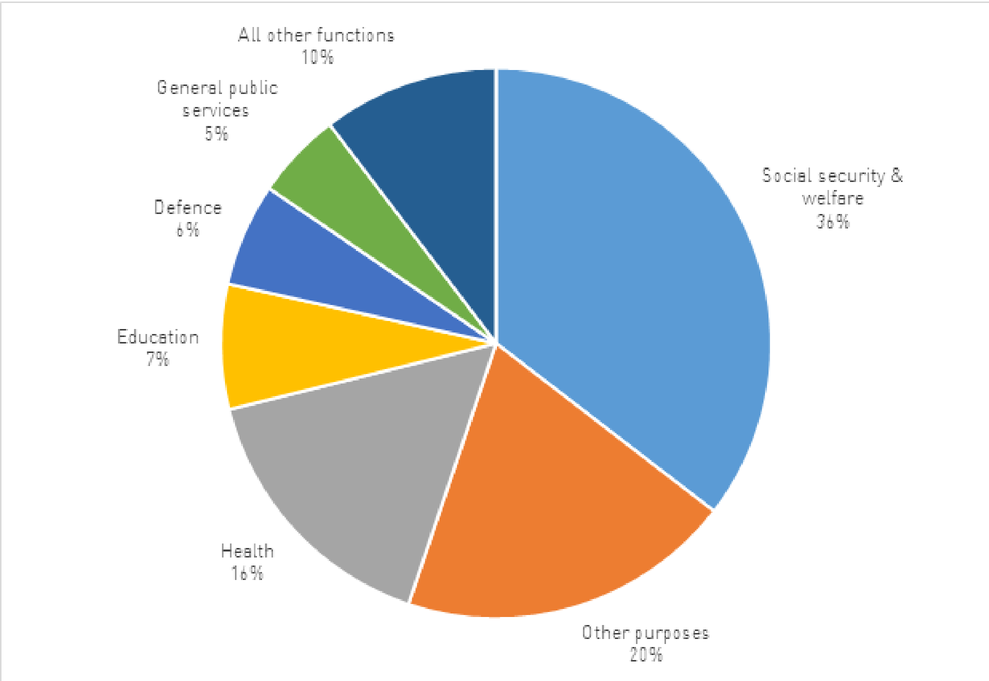
Figure 2: Government Revenue



Source: Australian Treasury *Budget 2015-16: Budget Overview* Commonwealth of Australia

'Social security and welfare' spending, 'Other purposes', and Health are the largest expenditure items. The budget papers include in the 'Social security and welfare' category, funding for services (child care subsidies and funding for the National Disability Insurance Scheme) in addition to transfer payments (retirement incomes, working age payments and family assistance payments).

Figure 3: Government spending



Source: Australian Treasury *Budget 2015-16: Budget Overview* Commonwealth of Australia

2 Analysis

2.1 The revenue Governments need to meet the community's needs

Key messages

+ The 2015-16 Budget takes a number of small steps to restore revenue, yielding a net increase in revenue of $800m over the forward estimates, but most of the revenue increases projected over the next five years come from income tax bracket creep and economic growth.
+ There are no changes to superannuation, negative gearing or other major aspects of personal income tax requiring structural reform.
+ The Budget delivers a 1.5% tax cut to small incorporated businesses which opens up a 1.5% gap in tax rates based on company size. This is unlikely to strengthen economic growth in the short term and makes the use of private companies to shelter personal income from tax more attractive for high-income earners.
+ Small businesses will be able to claim immediate deductions on business assets such as cars and computers, up to $20,000. This will stimulate growth in the short term by bringing forward investment, at the expense of slower growth in a few years' time.
+ Limited growth in public infrastructure investment despite low interest rates.
+ The Budget included a strategy to curb international transfer pricing by large corporates. This, together with closer cooperation with other governments to curb international profit shifting, is a welcome move but it is unclear at this stage whether it will deliver substantial revenue.

Analysis

While the Budget included a number of taxation measures, it did little to address the structural decline in revenue.

The biggest taxation change delivered in the Budget is the 1.5% reduction in the company tax rate for businesses with less than $2 million in revenue per year and a 5% personal income tax reduction for sole traders. This will create a gap in the company tax rate for different companies based on size which is difficult to justify, and add to the complexity of the company tax system. Combined with new capital gains tax rollovers for businesses using private trusts (and possibly self-managed super funds) this could also open up significant personal income tax avoidance opportunities.

Initiatives to curb international transfer pricing by large corporates are a welcome first step, but the potential to generate significant revenue is unclear at this stage.

Table 7: Revenue Measures

Revenue Measure	Impact	Increase in revenue ($m in 2015-16)	Increase in revenue ($m in 2016-17)	Increase in revenue over next 4 years ($m)
Multinational profit shifting: Australian Taxation Office (ATO) targeting 30 companies: more documentation required, higher penalties	Based on 'General Anti-Avoidance Rule': unclear if this will work in courts. Increased transparency of financial transfers important	*	*	*
Capping of meal and entertainment benefits for hospitals and Public Benevolent Institutions (PBIs) at $5,000 p.a.	Wider capped exemption for PBIs remains (entertainment exemption currently uncapped)	20	85	295
1.5% tax cut for small companies; 5% personal income tax discount for sole traders	Opens up gap in company tax rates based on size. Opportunities for business owners and professionals on higher tax rates to shelter personal income from tax	-250	-950	-3,250
Capital Gains Tax rollovers for small companies extended to trusts	Opportunities for business owners and professionals to avoid CGT			-40
Small businesses will be able to claim immediate deductions on business assets such as cars and computers, up to $20,000	This will stimulate growth in the short term by bringing forward investment, at the expense of slower growth in 3 years' time	-250	-800	1,750
Easing on tax rules for employee shares	Could benefit senior executives in established firms as well as start-ups			
GST extended to imported digital products and services	Removes a significant anomaly in GST coverage			350
Tightening of car expense deductions	Effects taxpayers claiming these expenses directly, not an FTB measure		270	845

* not specified

2.2 Employment services and opportunities for people at risk of poverty

Key messages

+ Existing wage subsidies for specific groups will be 'pooled' into a more flexible program;
+ New youth employment transitions and mentoring programs will assist early school leavers and partly address the gap left by the previously defunded Youth Connections program.

Analysis

Despite some welcome specific employment initiatives, the Budget as a whole does little to promote employment growth.

Along with its predecessor Job Services Australia, the new Jobactive scheme, announced before the Budget, offers limited support (mainly job search assistance) for those who are unemployed long-term and disadvantaged and relies too heavily on Work for the Dole to improve their job prospects. A more substantial, more flexible investment in employment services is needed.

Wage subsidies are effective in improving employment outcomes for people unemployed, if well administered. The pooling of wage subsidies announced in the Budget for people unemployed long-term gives providers more scope to target and tailor them better according to the needs of people looking for paid work and employers; however the scheme should be carefully monitored to ensure that mature age workers receive an appropriate share of assistance.

The youth transitions and 'vulnerable young people' schemes are partial replacements for the abandoned Youth Connections scheme. This is welcome recognition that many unemployed people face intractable barriers to employment and that compliance approaches or denial of income support will not resolve these problems. It appears that the funding for these programs will be lower than for the previous youth transitions programs, with $127 million per year invested in the previous programs, including Youth Connections ($77 million p.a.) and School Community Business Partnership Brokers ($47 million p.a.) compared to a total of $98 million in 2015-16 for the new programs.

Careful attention to design, contracting and evaluation will be needed to ensure the schemes offer flexible support relevant to individual needs, and can be scaled up. Previous trials of locally based employment assistance for vulnerable people looking for work were complex in their design, targeting and governance, and their evaluation was abandoned when the trials were wound up. Together with the winding down on Youth Connections, this stop-start approach is wasteful of community infrastructure and public revenues.

Table 8: Employment measures

Employment Measure	Impact	Annual cost ($m in 2015-16)	Annual cost ($m in 2016-17)	Cost over four years ($m)
Pooling of wage subsidies for long-term unemployed, youth and mature age workers, with earlier payments for employers and extension to parents	Likely to improve take-up and give employment service providers more scope to tailor assistance to individual need rather than age category	-103	-21	0 *
Youth employment transitions program for early school leavers	Community-based mentoring work experience and training	25	61	212

Employment Measure	Impact	Annual cost ($m in 2015-16)	Annual cost ($m in 2016-17)	Cost over four years ($m)
Mentoring program for vulnerable unemployed people	Trials of community-based employment support services for disadvantaged young people, parents, young people with mental illness and refugees	32	37	101

* existing program has been under-subscribed; funding increases in later years

2.3 Income support for people at risk of poverty

2.3.1 Working age payments

Key messages

+ The 2015-16 Budget does nothing to alleviate the poverty being experienced by people living on Allowance payments, including the $37 per day Newstart Allowance and the $30 per day Youth Allowance;
+ The 6 month waiting period for under 30's to access income support proposed in the 2014-15 Budget is reduced to a 1 month wait for those under 25, but this is still not justified;
+ An increase in the eligibility age for Newstart Allowance for young people has been delayed for one year but remains Government policy;
+ More stringent compliance measures will likely result in more people being cut off from payments for longer periods;
+ Funding for existing place based income management programs has been extended, and trials of the 'Healthy Welfare card' funded;
+ Changes to the parental income test for Youth Allowance will have mixed results: reducing high effective marginal tax rates for some families, but enabling others to benefit from income minimisation strategies to access higher payments;
+ An overdue IT upgrade for Centrelink will commence.

Analysis

The 2015-16 Budget winds back some of the most punitive measures affecting people of working age on income support in the 2014-15 Budget, but people in the greatest poverty are still bearing too much of the burden of Budget restraint, and no action is proposed to remove them from poverty.

The proposed 6 month suspension of income support for unemployed people under 30 years has been changed to a one month suspension for people under 25 years; but (as with the harsher proposal) this delay in income support has not been justified by the Government and will still cause financial hardship.

Reductions in income support for young people aged 22 to 24 years are to go ahead, though they will be delayed for a year.

Proposed unemployment payment compliance changes have the potential to deprive large numbers of people of essential income support. Compliance systems should encourage re-engagement and not needlessly deprive people of income support.

Changes to Youth Allowance parental means tests include a welcome easing of high effective tax rates for some parents, together with a weakening of the integrity of these payments by allowing parents with high incomes who engage in common tax avoidance techniques to qualify for income support.

The Government's projected revenue savings from new systems to detect and deal with overpayments appear to be unrealistically high, since benefit 'fraud' is not widespread and the new systems will reveal under-payments as well.

Excessive controls over how people on some income support payments spend the money will continue under extended income management schemes, and the Government is trialling more comprehensive systems of income control through the "Healthy Welfare Card" pilots. These schemes are poorly targeted, ineffective and wasteful and will disproportionately affect particular groups, including Aboriginal and Torres Strait Islander people.

The trial of a new 'investment approach' to budgeting of assistance for people reliant on income support is a welcome move, provided it does not narrowly focus on future benefit savings.

Table 9: Income support measures

Income Support Measure	Impact	Annual cost ($m in 2015-16)	Annual cost ($m in 2016-17)	Cost over four years ($m)
Six month wait for unemployment payments for people up to 30yrs reduced to 1 month wait for those up to 25yrs	Partial reversal of last year's Budget measure. New 1 month waiting period limited to people in 'Stream A' up to 25yrs. Will be required to undertake intensive job search while waiting	462	439	1,845
1 year delay in higher eligibility age for Newstart Allowance for young people	1 year deferral of last year's Budget measure to delay access to the higher NSA until they reach 25 (currently 22yrs)	149	54	171
Benefit compliance tightened for unemployed people: - Those not applying for enough jobs to have payments suspended - Those refusing jobs without good reason will be unable to 'work off' an 8 week suspension - payment suspensions for non-attendance in Work for the Dole activities to be brought forward	These new suspensions could deprive many people of income support, without adequate warning. Immediate payment suspensions will make to harder for people to comply with activity requirements such as job search. Also, penalties for non-attendance at an activity will be deducted from the job seeker's next payment, instead of from the one after	5	7	24
Early school leavers up to 21yrs to be required to search for jobs if not in fulltime training	They are currently required to undertake training only, up to Year 12 or equivalent, before facing job search requirements	2	4	14
Youth Allowance parental means test will no longer take account of income minimisation through private trusts &	Extends income support to dependent young people in families who use private trusts and negative gearing to avoid tax, by removing long-standing restrictions			

Income Support Measure	Impact	Annual cost ($m in 2015-16)	Annual cost ($m in 2016-17)	Cost over four years ($m)
negative gearing				
Youth Allowance parental income test eased for those with more than one child attracting payments	Means the same family doesn't face multiple income tests (one for each child)			
Centrelink IT upgrade	Will speed up claims & payment processing and facilitate benefit reform	93	29	61
Re-engineering of social security overpayment and fraud investigations	New IT systems to extend data-matching & risk management Outstanding overpayment cases from 2010-13 to be investigated re: possible fraud	-253	-563	-1,700
Extension of funds for income management programs due to expire in June 2015	Status quo continues in NT and place based Income Management schemes, but without voluntary option or bonus payments	7	6	13
Healthy Welfare card trials in three (unspecified) regions	Could extend a more comprehensive system of income management to recipients of certain payments in chosen regions	3		3
Develop research base for new 'investment approach' to income support	Longitudinal surveys to identify fiscal benefits of investments to reduce future benefit reliance ('New Zealand model')	14	11	21
Reduce from 26 weeks to 6 weeks the length of time that Pensioners who have lived in Australia for less than 35 years can be paid their full means tested pension while overseas. (This measure will impact on people of working age as well as Age Pensioners – see 'Retirement Incomes')	This will reduce to one and a half months the amount of time some people reliant on the full pension will be able to travel away from Australia. Impacts those on lower incomes			Savings already provided for ($168.6 million)

2.3.2 Family payments

Key messages

+ The 2015-16 Budget failed to reverse the cuts to family payments in the 2014-15 Budget. Instead, the Government has indicated that funding for its new child care measures (see 'Early Childhood Education and Care' below) is contingent on passage of these savings measures by the Parliament. If passed, the 2014-15 Budget cuts to family payments would disproportionately and adversely impact on low-income families, particularly single parent families.
+ The 2015-16 Budget limits access to the Government's Paid Parental Leave Scheme (paid at minimum wage to eligible parents for 18 weeks) to parents who do not have access to an employer scheme of equal or greater value, saving $1 billion over the forward estimates.
+ Further savings will be achieved by restricting access to family payments to parents who comply with immunisation requirements. Estimated savings suggest the Government anticipates that a significant number of families will drop out of the payments system altogether ($500 million/ 4 years).

Analysis

Changes to family payments in this Budget should be read in the context of 2015-15 Budget measures which remain Government policy.

Combined, the two budgets represent a $9 billion reduction in spending on family payments over the forward estimates of which approximately $6 billion in savings will adversely affect low-income households.[7]

Our analysis suggests that low-income and disadvantaged families will be significantly worse off if the 2014-15 and 15-16 Budget measures pass, notwithstanding the boost the child care investment discussed below. The impacts of payment rate freezes will be felt over time. In 2015-16, the impacts of restricting the Part B payment to families with children under 6 years will mean that:

- A single parent with one 8 year old child stands to lose $48.50 per week due to the loss of FTB Part B and the end of year supplements;[8]
- A single parent with one 12 year old child stands to lose $62.50 per week due to the loss of FTB Part B and end of year supplements;
- A couple household with two school age children stands to lose $65 per week.

Families with young children who are locked out of paid work will also see their child care fee assistance halved (see the Early Childhood Education and Care section below).

The 2015-16 Budget limits access to the Government's Paid Parental Leave Scheme (paid at minimum wage to eligible parents for 18 weeks) to parents who do not have access to an employer scheme of equal or greater value, saving $1 billion over the forward estimates. This measure was announced just two days before the Budget in the absence of prior consultation with stakeholders. It undermines the design of the original scheme, which was intended to be complement employer schemes and bring Australian entitlements closer to the 26 week benchmark recommended for maternal-child bonding and breastfeeding.

Impact of Government assistance on families: flaws in the data

Previous budgets have published tables showing the impact of Budget measures on different households. Regrettably, this was not included in this years, or last year's, budget papers, making it more difficult for the public and the media to understand the impacts of the Budget.

Instead, this year's Budget Overview included a comparison of overall taxes paid and transfers received by different household types (extracted below) in 2015-16. Most readers would assume that the 'government assistance' listed here is confined to cash benefits. Confusingly, the table includes funding for child care fee assistance. This artificially inflates the level of government assistance assessed as being paid to low-income families:

- For example, Government assistance to a single parent family with private income of $30,000 per year with two children under 6 years is assessed at $38,838 per annum,

[7] Including Family Tax Benefit Part A and B and Paid Parental Leave.
[8] Based on the difference between the current weekly payment rate for single income families with child over 5 years of $59.45 per week and the proposed $14 Family Tax Benefit allowance.

compared with disposable income assessed at $66,304. This includes child care assistance but does not account for the costs of child care. Excluding child care, total Government assistance amounts to $23,960, with tax of $4016 leaving disposable income of $49,944. Any reasonable analysis of the costs of raising two children alone would find that a family on that income level that does not own its home (and most sole parents do not) would be struggling to meet basic living costs.

- By comparison, a single person earning $80,000 is shown to have an income after tax of $60,853, which would provide a much higher living standard for a person without children living alone.

While some tax breaks and payments are poorly targeted (for example a couple with $400,000 in assets other than the home and $11,791 in income receives $29,864 in government assistance), the social security system is doing its proper job when it prevents poverty among households with low income and assets, and assists middle income families with the costs of children.

Table 8: 2015-16 support for households, extracted from Appendix C, Budget Overview

Family type	Private income[a]	Government assistance[b]	Income tax paid[c]	Disposable income[d]	Net income tax liability[e]	Full time taxpayer contribution[f]
Sole Parent						
One dependant, aged <6	$60,000	$20,179	$12,147	$68,032	-$8,032	0.4
Two dependants, aged <6	$30,000	$38,838	$2,534	$66,304	-$36,304	1.9
Two dependants, aged 6-13	$40,000	$21,371	$4,147	$57,224	-$17,224	0.9
Single income couple						
One dependant, aged <6	$60,000	$7,630	$12,147	$55,483	$4,517	-
Two dependants, aged 6-13	$100,000	$6,781	$26,947	$79,834	$20,166	-
Three dependants, one aged <6 and two aged 6-13	$80,000	$24,644	$19,147	$85,497	-$5,497	0.3
Dual income couple						
70:30 income split, one dependant, aged <6	$80,000	$11,704	$11,674	$80,030	-$30	-
70:30 income split, two dependants, one aged <6 one aged 6-13	$80,000	$17,001	$11,674	$85,327	-$5,327	0.3
70:30 income split, three dependants, one aged <6, two aged 6-13	$80,000	$25,233	$11,674	$93,559	-$13,559	0.7
50:50 income split, one dependant, aged <6	$100,000	$3,201	$17,094	$86,107	$13,893	-
50:50 income split, two dependants, one aged < 6, one aged 6-13	$100,000	$20,499	$17,094	$103,405	-$3,405	0.2
50:50 income split, two dependants, aged 6-13	$60,000	$13,434	$4,794	$68,640	-$8,640	0.5
Individuals						
Single person working 5 days a week	$40,000	-	$4,947	$35,053	$4,947	-
Single person working 5 days a week	$80,000	-	$19,147	$60,853	$19,147	-
Single person working 5 days a week	$100,000	-	$26,947	$73,053	$26,947	-
Pensioners						
Single homeowner with $50,000 in assets[g]	$896	$22,617	$0	$23,513	-$22,617	1.2
Single non-homeowner with $100,000 in assets[g][h]	$2,521	$25,995	$0	$28,516	-$25,995	1.4
Couple homeowner with $200,000 in combined assets[g]	$5,291	$34,095	$0	$39,386	-$34,095	1.8
Couple homeowner with $400,000 in combined assets[g]	$11,791	$29,864	$0	$41,655	-$29,864	1.6

(a) Private income comprises income from work and other sources (but not government assistance). Some recipients work part time.
(b) Government assistance includes income support payments (for example, Newstart, Age Pension and Parenting Payment), family payments (for example, Family Tax Benefit Part A and Part B) and Childcare Benefit and Childcare Rebate. Rent Assistance is excluded except where otherwise stated. Children <6 are in long day care (at $8.55 per hour) and children 6-13 are in outside school hours care (at $7.65 per hour) as relevant.
(c) Tax paid is equal to income tax including the Medicare Levy and the Temporary Budget Repair Levy.
(d) Disposable income is the sum of private income and government payments less tax paid.
(e) Net tax liability is equal to tax paid less government payments.
(f) 'Full-time taxpayer contribution' refers to the number of single taxpayers with no dependents on average full time weekly ordinary time earnings required to fund negative net tax liabilities. In 2015-16, this person earns $79,454 and pays tax of $18,959.
(g) Income is assumed to be from investments which earn a rate of return equal to current deeming rates.
(h) The individual is assumed to be entitled to the maximum Rent Assistance.
* Families hold Private Health Insurance cover.

There were six significant changes to family payments proposed in the 2014-15 Budget. All were savings measures.

ACOSS supported changes which better targeted payments to lower income households including:

- Lowering the maximum income cut off for FTB Part B from $150,000 to $100,000;
- Removing the extra child add-on from the free area for those on high incomes (this means that meaning that that families on more than $94,316 with more than one child will receive lower payments. For example, a family on $100,000 with two children would lose $33 per week under the changes.)

Both of these measures have been passed by the Parliament.

However, we strongly opposed two measures which will impact on very low-income families. These measures remain before the Parliament and have been linked to the child care reform discussed below:

- The freezing of maximum rates until 2017, which will erode the value of payments over the next few years;
- Limiting FTB Part B to families with youngest children 6 years or under, down from 15 years or 18 years for full-time students.

Table 9: 2015-16 changes to family payments

Measure affecting family payments	Impact	Annual cost ($m in 2014-15)	Annual cost ($m in 2015-16)	Cost over four years ($m)
Reduced access to Government Paid Parental Leave scheme for those with employer schemes	New parents will now be able to claim the Government scheme only if they do not have an equivalent or better employer scheme. This removes the ability to access both schemes, for example to take a longer period of leave. The budget papers state that savings 'will be redirected by the Government to repair the Budget and fund policy priorities'.	9.8	267.6 (includes lost revenue)	937.7
FTB A reduced portability	The amount of time recipients can receive payments while out of Australia will be reduced to 6 weeks. Government estimates savings of $42.1 million/5 years but budget papers state that 'savings for this measure have already been provided for by the government'.	-	-	-
'No Jab No Pay'	Families will be unable to access the FTB Part A end of year supplement or child care subsidies if they fail to meet immunisation requirements.	-72.1	-148.5	-509
Cessation of the Large Family Supplement of Family Tax Benefit Part A	After tightening eligibility for this supplement in the last Budget, the Government now proposes to abolish the supplement entirely.	1.5	-58.6	-60

2.3.4 Retirement incomes

Key messages

+ Changes to the pension assets test for those with high assets reduce the rate at which the part-pension is received (those with lower assets will receive a higher rate).
+ Pensioners with higher assets will be expected to draw down on those assets to retain the same standard of living. This is a much fairer way to improve sustainability of the Age Pension than indexing the pension payment to CPI, which would have reduced the pension payment for all recipients.
+ The Government has not withdrawn its measure to increase the Age Pension access age to 70 by 2035. Extending the Age Pension age without any increase in the Newstart Allowance will reduce income for those unable to work to the age of 70 by between $64 and $166 (based on current payment rates).

Analysis

As the population ages, Governments will face challenges financing quality aged and health care and decent retirement incomes for an ageing population. The fairest and most effective way to respond to these challenges is to better target age-based payments and tax concessions to make sure they are well spent rather than reduce investment in or impose higher user charges for essential services.

The pension is a vital shield against poverty for older people and is frugal by international standards. However, during the mining boom of the 2000's, some social security payments including the Age Pension, were extended to people who did not need them. In 2006, the assets test for the Age Pension was eased to such an extent that, today, a couple with up to $1.1 million in assets besides the family home can access the part-pension, and receive with it a range of concession cards and supplements funded by Government.

The 2014 Budget proposed to reduce future pension rates for all pensioners (including the Age Pension and other pensions) by indexing them to the Consumer Price Index (CPI) only instead of wages. This would have reduced the single pension rate by $80 per week in 10 years' time compared to current arrangements. The Government has announced in this Budget that it is not proceeding with its proposed changes to indexation and will instead tighten the pension assets test for those with higher assets.

Specifically, the Government proposes to increase the assets test free area, so that access to the full pension cuts out at a higher asset value. It will also increase the taper rate, so that the pension is reduced more quickly as the value of assets increases. Under this approach, the rate at which the part-pension is received will be reduced for those with higher assets, while for those with lower assets it will be increased. The value of assets at which the part-pension cuts out completely will also be reduced. For example, a couple household that owns their own home would no longer receive the pension if their assets are greater $823,000 (although they will be made automatically eligible for the Commonwealth Seniors Health Care Card, or equivalent, irrespective of means testing). These changes will apply to the Age Pension, Disability Support Pension, Parenting Payment Single and Carer Payment.

Tightening the Age Pension assets test is supported by ACOSS. An important policy goal of the superannuation system is to encourage people to contribute to their superannuation during working years, and then draw down their superannuation during retirement. If the assets test is too liberal, this will not occur, as people will instead rely on the tax-payer funded Age Pension. Encouraging people to draw down on their assets (including superannuation) to fund their retirement reduces the cost of the Age Pension and helps ensure that it is always there as a safety net for those who need it.

This year' s Budget has not reversed many of the other measures impacting retirement incomes put forward in the previous Budget, including the Government's proposal to increase the Age Pension access age to 70 by 2035. If implemented, this policy will shift many older people who cannot obtain paid work on to the much lower Newstart Allowance for a further 3 years, reducing their incomes by up to $166 per week.

Before increasing the Age Pension access age, Newstart and other allowance payments should be substantially increased, the preservation age raised to parity with the Age Pension access age (with appropriate early access arrangements for those who need them) and a package of reforms to improve employment services and ease age discrimination introduced.

ACOSS supports the Government's retention of its policy to abolish the Seniors Supplement which remains before the Parliament, as the Supplement is available to retirees with assets of too high a value to receive a pension under the existing (generous) rules. It is also available to many people with high superannuation incomes, since the income test for existing Supplement recipients is based on taxable income, and as such does not include tax-free superannuation benefits.

Consistent with its policy to tighten the Age Pension test, the Government will not proceed with freezing the indexation of the income test free area or deeming thresholds, and will not proceed with resetting the deeming threshold. The measures proposed in the previous Budget were a less effective way of targeting the Age Pension than tightening the assets test.

While the Government's proposed change to the assets test for the Age Pension is a step in the right direction, it should be presented to Parliament as part of a package of reforms to address the costs of an ageing population. The package should including a commitment to undertake a comprehensive review of retirement incomes as part of the tax reform process. Such a review should consider policies to reform superannuation tax concessions, which cost in the same order of magnitude as the Age Pension (around $30 billion in 2013-14, compared to around $40 billion for the Age Pension) and are inequitable and inefficient in improving retirement incomes. The Government should also commit to a comprehensive review of the adequacy and indexation of maximum rates of all social security payments, including those on which many older people rely as they approach retirement age.

Table 10: Measures affecting retirement incomes

Measure affecting retirement incomes	Impact	Annual cost ($m in 2015-16)	Annual cost ($m in 2016-17)	Cost over four years ($m)
Tighten the Age Pension assets test from January 2017, by increasing the free area and taper rate for both homeowners and non-homeowners. Those who lose pension payments will be automatically eligible for a Commonwealth Seniors Health Card (CSHC) (or equivalent). It is not clear from the budget papers whether increases to the free area will extend to allowance payments	Those with lower assets will receive a higher part-pension or the full pension. Those with higher assets will receive a reduced or nil part-pension, and will be expected to draw down their assets if they wish to maintain their current income. Higher asset holders who lose the pension under this change and who would not normally be eligible for the CSHC due to income testing will now be eligible irrespective of their income.	-0.1	-444.9	-2,443.5
Include a larger proportion of income from 'defined benefit' superannuation income streams in the Social Security Income Test (by capping the amount that can be deduced from income for the purposes of the test at 10%)	This will improve means testing of social security payments.	-56.9	-129.1	-465.6
Not proceed (for pensions only) with measures to pause indexation of income and asset test free areas, and not proceed with measures to freeze deeming rates	This would have impacted those with lower or moderate incomes and assets, rather than those with higher incomes and assets. The proposal in this Budget to tighten the assets test for those with higher incomes is the preferred approach. The freeze of indexation continues to apply to working age, family and child care payments.	-	-	127.9
Not proceed with measures to tighten pension income test from 2017 by lowering the threshold at which assets (besides the family home) are deemed to earn income – to $30,000 for singles and $50,000 for couples	This would have tightened means testing for pensions and allowances. However, the measure put forward in this Budget to tighten the pensions' assets test for those with higher pensions is the preferred approach. This measure also applies to working age, family and child care payments.		1.8	89.1

2.4 Availability and affordability of essential services

2.4.1 Health

Key messages

- $1 billion in savings over five years, half of which are set to be funded through reduced funding to community-based health services, policy and advocacy work;
- Ongoing funding for the Adult Dental Benefits Scheme, delayed in 2014-15, is welcome. However, the funding is a reduction of $45 million on previous Budget forecasts and comes with no commitment beyond 2015-16. Meanwhile savings measures through the indexation arrangements of the Child Dental Benefits Scheme and the incentives for attracting dental workforce to regional centres will significantly undermine the provision of affordable, timely and preventative oral health;
- The PBS announcement builds on last year's Budget which saw increases in the thresholds each year for four years (with a revised start date of 1 January 2016 from 1 January 2015 announced last year).

Analysis

This year's health Budget is a mixture of measures but does not attempt further major structural reform. Disappointingly, this Budget continued a lack of focus on primary health care and preventative health with the exception of some additional investment in immunisation programs. Meanwhile, cuts to the Department of Health overall and to its community-based programmes will likely have a disproportionate impact upon people on low incomes and with chronic illness. These cuts build upon last year's cuts of $1.8 billion over 4 years to health funding including for hospital services in states and territories.

An issue of key concern is the significant reduction in funding for health flexible funds, which the Departmental Secretary advised stakeholders entailed $500 million of the $1 billion savings measures (over 5 years). This savings measure is likely to undermine core capacity of community-based health work, including policy advice, representation of consumer and community interests, and services particularly in the area of primary health.

There are also a number of measures that will see an increased burden on health care consumers in relation to out of pocket expenses, including through an increased threshold for the PBS safety net and changes in indexation around the child dental programs. These compound the continuing impact of the Government's freezing of GP rebates under the Medicare Benefits Schedule in last year's Budget.

The Medical Research Future Fund has become a catch all for the direction of savings from many areas important to people experiencing poverty and inequality, which undermines the benefit and value the Fund could otherwise provide.

Table 11: Health measures

Health Measure	Impact	Annual cost ($m in 2015-16)	Annual cost ($m in 2016-17)	Cost over four years ($m)
Child Dental Benefits Schedule – consistent indexation	Savings measure through changed indexation	-15	-25	-126
Improving immunisation coverage rates	Broadening data collection, introducing benchmarks, incentives to health providers to immunise children where due, and community awareness raising	8	6	26
Increase Pharmaceutical Benefits Scheme safety net thresholds 1 Jan 2019	Increase the safety net thresholds for PBS and redirect savings to the Medical Research Future Fund	-	-	-5 (in 2018)
My Health e-record	Revamped electronic health records continues their operation on a reduced Budget and foreshadows some reforms and trialling an opt-out arrangement	-52	-98	485
National Partnership Agreement – Adult Public Dental Services	Provision of dental to adults who rely on public services. Mostly allocated to acute and hospital-based services	155	-	155
Rationalising and streamlining health programs	Reduction in funding to range of programmes including to flexible funds, dental workforce programmes and preventative health research	-121	-216	-963
Smaller Government – Health portfolio	Reduction to the Department's size through range of measures	-15	-29	-113

2.4.2 Education and early childhood services

Key measures

+ New investment in child care of $3.5 billion/ 5 years;
+ Reformed child care payments system, funding 85% of fees for low-income families, reducing to 50% for higher income families;
+ Changes to activity tests will mean reduced access to families not in paid work;
+ The Government is linking new spending to the cuts to family payment from the 2014-15 Budget which would disproportionately affect low-income families.

Analysis

A package of early childhood education and care reforms formed a centrepiece of this Budget, delivering an additional investment of $3.5 billion/ five years.

Australia currently spends less on early childhood education and care than most OECD countries. When fully implemented in 2017, this will deliver an increase in child care funding of $1.4 billion in addition to current funding, which was $6 billion in 2013-14.[9]

While this investment is likely to deliver benefits for many families, some very low-income families will be worse off due to the tightening of the activity test. Families engaging in less than 4 hours of week of approved activities will be only eligible for 12 hours a week of subsidised care (1 day), down from the current entitlement to 24 hours a week (2 days). Additional fee assistance will be available for some parents on income support who are seeking to transition to work through the Additional Child Care Subsidy which will replace the existing JETCCFA program. The Government has indicated that it will be undertaking further consultations with stakeholders to inform the final design of this program and finalise eligibility criteria. We encourage the Government to ensure that additional fee assistance remains available for those who need it, including for single parent families, and that no low-income families are worse off as a result of changes.

The reform package was informed by a report by the Productivity Commission released early this year. The final report recommended that families on very high incomes receive a base subsidy of 20% of the benchmark costs of care. The Government has instead announced it will adopt a 50% threshold for families on incomes of $170,000 and above with an additional fee cap of $10,000 for those earning more than $185,000 per annum. This has significantly increased the costs of the package, which the Government has indicated it is seeking to fund by pursuing the 2014-15 cuts to family payments (see 'Family Payments' section above). ACOSS strongly opposes these cuts and urges the Government to seek alternative revenue sources to fund new investment in early childhood education and care.

The existing Budget Based Funding program, which funds 303 services across Australia, most of which are Aboriginal and Torres Strait Islander focused, will be abolished under the new measures. From 1 July 2017 these services will have to operate on the mainstream, fee-based, Childcare Subsidy. ACOSS is concerned about the viability of this funding model for Aboriginal and Torres Strait Islander services and families. We are also concerned that the reform package fails to deliver investment in the creation of additional Aboriginal and Torres Strait Islander child care services, despite the Productivity Commission report highlighting a gap of 15,000 places.

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[9] Includes CCB, CCR and funding for the universal access to preschools national partnership agreement. See Department of Education, Annual Report 2013-14, available at: https://docs.education.gov.au/system/files/doc/other/department_of_education_annual_report_2013-14_0_0.pdf.

Table 12: Measures affecting education and early childhood services

Measure affecting education and early childhood services	Impact	Annual cost ($m in 2015-16)	Annual cost ($m in 2016-17)	Cost over four years ($m)
New single, streamlined Early Childhood Education and Care (ECEC) subsidy	Families under $60,000 p.a. who meet an activity test will have 85% of benchmark costs of care funded, tapering down to 50% for households earning more than $165k. Changes to activity test will mean families not in paid work will see basic entitlement halved, from 24 to 12 hours per week (from 2 to 1 day pw). Will replace CCR, CCB and JETCCFA from 1 July 2017.	140.6	276.8	3200
Child Care Safety Net	Includes three programs to provide additional assistance to disadvantaged or special needs children from 2015-16, replacing existing programs. 1. Additional Child Care Subsidy: provides fee assistance for parents on income support and seeking work, replacing JET program 2. Inclusion Support Program: Funding to services to support children with additional needs. Will replace the existing Inclusion and Professional Support Program 3. Community Child Care Fund: Funding for services in disadvantaged communities, replacing the existing Budget Based Funding Program.	8.2	78.7	327.7
Extension of National Partnership Agreement on the National Quality Agenda	To support a national regulatory system for ECEC. Adds to existing funding to bring total to $61.1 million/3 years from 2015-16.	-	2.6	1.3

2.4.3 Aboriginal and Torres Strait Islander Programs

Key measures

+ $156 million committed to Northern Territory Government in 2015-16 in exchange for taking over municipal and essential services for remote outstations and communities. There is a risk that this could have adverse impacts on affected communities.
+ Some reversal of last year's discontinuation of funding to peak bodies and service providers. New approaches to funding programs through competitive tender processes and market-based service provision means many organisations still face uncertain futures. Transition arrangements for these programs are also unclear.
+ No reversal of the $493.7 million savings measures from the 2014-15 Budget.

Analysis

The most significant expenditure in Aboriginal and Torres Strait Islander Programs in the 2015-16 Budget is the negotiation of a new National Partnership Agreement (NPA) on Northern Territory Remote Aboriginal Investment. This includes a one off payment of $156 million in 2015-16 to the Government of the Northern Territory to take on responsibility for municipal and essential services in remote outstations and communities. The new NPA will replace the current 'Stronger Futures' NPA and will total $988.2 million over eight years with a net additional cost of $61.3million over the next four years.

ACOSS is concerned that this measure may have an adverse impact on Aboriginal communities if the Government of the Northern Territory is not yet adequately equipped or inclined to provide services to remote communities. The recent experience in Western Australia has raised concerns about the potential risk of community closures in the future. ACOSS is concerned about the lack of detail around this measure and its implications for the sustainability of communities.

While a major portion of funding in the Budget for Aboriginal and Torres Strait Islander people goes to the private sector as jobs providers and trainers, areas of reduced expenditure in Aboriginal and Torres Strait Islander Programs in the 2015-16 Budget include a $95 million reduction to remote housing services under the negotiation of a new Remote Indigenous Housing Strategy.

After an outpouring of public concern, ACOSS was glad to see the reversal of last year's damaging funding cuts to the National Aboriginal and Torres Strait Islander Legal Services (NATSILS) and their members (front line Aboriginal legal services), and the Family Violence Prevention Legal Service. However, the Government has ignored calls from the community to reverse the rest of approximately $500 million of cuts to Aboriginal and Torres Strait Islander programs announced in last year's Budget. Meanwhile continuing cuts in line with the Government's broad strategy of reducing its size will effect Aboriginal and Torres Strait Islander peoples in a range of measures, including the conclusion of the work of the Aboriginal and Torres Strait Islander Higher Education Advisory Council in 2015.

For analysis of the implications of child care funding changes for Aboriginal and Torres Strait Islander services and families, see the 'Early childhood and education' section.

Aboriginal and Torres Strait Islander people will also be disproportionately affected by cuts to services and supports analysed in the 'Income Support and Employment' and 'Community Services' sections of this analysis and by the extension and piloting of income management programs, discussed above.

Table 13: Measures affecting Aboriginal and Torres Strait Islander people

Measure affecting Aboriginal and Torres Strait Islander people	Impact	Annual cost ($m in 2015-16)	Annual cost ($m in 2016-17)	Cost over four years ($m)
Indigenous Advancement Strategy – indexation of funding	Ensuring consistent indexation from 2018, when regular indexation resumes			4.8
Indigenous Legal Assistance Program	$11.5m committed over two years from 2014-16 to reverse cuts that were proposed in the 2014-15 Budget. The funding has moved from the Attorney-General's Department to the Department of Prime Minister and Cabinet and is offset by other savings within the Indigenous Affairs portfolio	11.5		
NPA on Northern Territory Remote Aboriginal Investment	This NPA replaces the 'Stronger Futures in the NT' NPA at net additional cost of $61.3m. In addition to funding for schooling, community safety and employment, this includes provision for the NT Government to take on full responsibility for municipal and essential services in remote outstations and communities	132.1	-23.1	988.2 (over 8 years)
New Remote Indigenous Housing Strategy	Strategy will replace the existing NPA on Remote Indigenous Housing with funding of $1.1 billion over 3 years transferred from the current NPA to the Strategy from 2015-16; less $95 million redirected to the Reform of the Remote Jobs and Communities Program announced in MYEFO	-	-	Note: $95 million redirected to the *Reform of the Remote Jobs and Communities Programme*

2.4.4 Community services

Key messages

- The Budget focus on consumer-directed care should support better outcomes for people accessing aged care services;
- Further reduction to the supports for young people include dedicated research and awareness raising functions and follow the defunding of the national youth peak Australian Youth Affairs Coalition (AYAC) in last year's Budget;
- This Budget fails to restore the $1 billion cut to community services across portfolios (including cuts to Aboriginal and Torres Strait Islander programs), encompassing service, policy and advocacy capacity.

Analysis

A major shadow over the 2015-16 Budget was the failure to restore $1 billion/4 years in cuts delivered over the preceding 18 months to community services across Social Services;

Health; Prime Minister and Cabinet encompassing services and supports for Aboriginal and Torres Strait Islander people; and Attorney-General's Departments. Funding of $25.5 million over two years was reinstated to community and Aboriginal and Torres Strait Islander legal centres just prior to the Budget, but with concerns that this restoration of funding would come off the back of cuts in other important areas like services in Aboriginal communities. Meanwhile the specific implications of transitional funding arrangements remain unclear, given that they follow significant funding cuts which have not been restored.

New support for people accessing aged care services is welcome, particularly the focus on consumer-directed care; as is the investment in online and phone line services for carers across the country. However the Government has further undermined young people's capacity to participate socially and economically through the defunding of Youth Engagement within Department of Education and Training programmes. All activities that fell within Youth Engagement will be lost except those already committed to states and territories, including defunding of the Australian Clearinghouse for Youth Studies, Australian Youth Awards and Federal Government activities for National Youth Week.

Table 14: Community Services Measures

Community Service Measure	Impact	Annual cost ($m in 2015-16)	Annual cost ($m in 2016-)	Cost over four years ($m)
Aged care – Home Care Programme	Home Care Packages will be allocated directly to consumers on the basis of Aged Care Assessment Team (ACAT) assessment, rather than to service providers	15	18	73
Youth Engagement	Funding for Australian Youth Clearinghouse and National Youth Week activities cut within Department of Education and Training (DET) Youth Support programme	-534	-535	
Carer Support Services – national gateway	Funding for carers to access information, support and referral to carer specific supports and services online and through a national call centre	11	8	34
New way of working for grants - transitional funding	Intended to support organisations as Department of Social Services transitions to new funding framework	15	15	56 (over 3 years)

2.5 Access to affordable housing

Key messages

+ There are no new affordable housing or homelessness initiatives in this Budget;
+ Cuts to key affordable housing programs in the 2014-15 Budget have not been reversed, with the total funding cuts to housing and homelessness programs across the current and last Budget amounting to $674.4 million/ 4 years. [10]

Analysis

There are no new affordable housing or homelessness initiatives in this Budget and no long-term security for key programs. Despite calls from the community and housing sectors for funding to be reinstated, the cuts to affordable housing programs in the 2014-15 Budget have not been reversed. Overall, the trend over the last two budgets is decreasing investment in affordable housing and homelessness programs, with cuts of $674.4 million/4 years in total.

Cuts in the 2014-15 Budget included the discontinuation of the National Rental Affordability Scheme, with the loss of an estimated 12,000 additional affordable housing dwellings. As noted in our 2014-15 analysis, this will have an adverse impact on low and moderate income tenants and community housing providers who had planned on future incentives to deliver increased stock. Other cuts in the 2014-15 Budget including the Housing Help for Seniors program and First Home Saver Accounts scheme have also not been reversed.

The 2015-16 Budget extends funding for the NPA on Homelessness for another two years, following previous one year extensions. However, the total quantum of funding is reduced, with the loss of the capital and research components (a $44 million per year reduction). There is no funding certainty for homelessness services funded under the Agreement beyond June 2017.

There are no major changes to the National Affordable Housing Agreement in the Budget with funding for 2015-16 at $1.3 billion, however the revised growth factor is reduced from 1.8% to 1.4% due to slow wage inflation. The budget papers state that 'longer-term funding arrangements and the respective roles of the Commonwealth, state and territory governments will be considered in the context of the Government's Reform of the Federation White Paper'.[11]

The 2015-16 Budget made no changes to housing tax concessions, despite calls for reform from a range of sectors, stakeholders and economists. These concessions were to be considered by the current review of taxation, but recent comments by the Prime Minister cast doubt about the comprehensiveness of the review process.

For information about the New Remote Indigenous Housing Strategy, see the 'Aboriginal and Torres Strait Islander communities' section above.

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[10] This includes the discontinuation of the National Rental Affordability Scheme (NRAS, $235.2/4 years); $44 million per annum reduction in funding under the National Partnership Agreement on Homelessness between 2014 and 2017 (NPAH, $132 million), and the abolition of the Housing Help for Seniors Pilot (173.1 million/4 years) and the First Home Saver Accounts Scheme (134.3 million/4 years).

[11] Budget Paper No.3 at page 48.

Table 15: Housing Measures

Housing Measure	Impact	Annual cost ($m in 2015-16)	Annual cost ($m in 2016-17)	Cost over four years ($m)
Extension of the NPA on Homelessness	Two year funding extension announced before the Budget. Excludes the research and capital components of the original Agreement, and is not indexed.	115	115	230 (over 2 years only)

Appendix:

Status of Budget 2014-15 measures as at May 2015

Measure	**Impact**	Annual cost ($m in 2014-15)	Annual cost ($m in 2015-16)	Cost over four years ($m)	Status of measure
REVENUE MEASURES					
Restore indexation of fuel excise to CPI movements	Would increase cost of petrol by about 1c per litre per year.	-270	-730	4040	Before Parliament - Not passed
INCOME SUPPORT: WORKING AGE PAYMENTS					
6 month waiting period to access income support for people under 30 years	Would leave young people with any income for 6 months of each year.	-226	-345	-1253	Before Parliament - not passed. Reduced to one month in 2015-16 Budget and to apply to under 25s
Young unemployed people aged 22-23 years to receive Youth Allowance instead of Newstart	A reduction of nearly $50 per week or at least $120 if aged 18 and over and living with parents.	-9	-144	-508	Before Parliament - not passed. The 2015-16 Budget deferred this measure by a year. Remains Government policy.
Expanded application of 8 week no-payment penalty to people who are unemployed	Limited ability for waiver of 8 week non-payment period through participation in approved activities.	-3	-6	-21	Before Parliament - not passed. Remains Government policy
Reassessment of people under 35 years receiving the DSP	Assessments of capacity conducted by Government appointed doctors.	15	12	46	Passed
Freezing of pension maximum payments in real terms from 1 July 2014 for single parents and 1 September 2017 for other pensioners	Estimated to result in losses of $75 per week for single parents and $80 per week for other pensioners.	-0.5	-16.2	-450	Before Parliament - not passed – To be withdrawn by Government. Also in 'Retirement Incomes' section
Freezing of income test free	Reduced incomes and work incentives for those working	-160	-295	-1480	Before Parliament - not passed. Amended

Measure	**Impact**	Annual cost ($m in 2014-15)	Annual cost ($m in 2015-16)	Cost over four years ($m)	Status of measure
areas for allowances (from 2014-27) and pensions (from 2017-20)	part-time(especially those on Allowance payments which have a much stricter income test).				in 2015-16 Budget so that free areas are only frozen for Allowance payments. Also in 'Retirement Incomes' section below
Abolition of Pensioner Education Supplement	Eligible recipients (mainly sole parents) will lose approximately $40 per week.	-42	-83	-280	Before Parliament - not passed. Remains Government policy
Remove Federal funding for state pensioner concessions	May force states to reduce or remove concessions for transport etc.	-304	-314	-1283	Did not require legislation. Remains Government policy
FAMILY PAYMENTS					
Remove the extra child add-on from the free area for the FTB Part A income test for high-income families	Families on $94,316 plus will receive lower family payments (for example, a family on $100,000 with two children would lose $1705 pa or $33pw).	1.0	-76.4	-211	Passed[12]
Tighten Family Tax Benefit Part B income test (reduced from $150,000 to $100,000) from 1 July 2015	Single income couples and sole parents earning →$100,000 receive no FTB B payment (losing $58pw).	4	-379	-1,229	Passed[13]
Limit Family Tax Benefit Part B to families whose youngest child is ←6 from July 2015 and introduction of new Family Tax Benefit allowance for sole parents	Single income couples with older children lose the payment ($58pw), sole parents with older children up to 12 receive a smaller supplement of $14pw per child (*Family Tax Benefit allowance)*. A sole parent with one child aged 6-12 years stands to lose $48.50 pw. Those with children 12 and over lose the full amount.	29	-55	-1,888	Before Parliament - not passed.[14] Remains Government policy.

12 Social Services and Other Legislation Amendment (2014 Budget Measures No. 6) Bill 2014: http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r5357 .
13 Social Services and Other Legislation Amendment (2014 Budget Measures No. 6) Bill 2014: http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r5357
14 Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014: http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r5355

Measure	**Impact**	Annual cost ($m in 2014-15)	Annual cost ($m in 2015-16)	Cost over four years ($m)	Status of measure
Freeze Family Tax Benefits from 2014-16 (including max and base rates of Part A and rate of Part B)	Lower family payments, especially for low-income families.	-397	-720	-2,600	Before Parliament - not passed. [15] Remains Government policy.
Reduce FTB Part A supplements (annual payments)	Payments reduced from max of $726 to $600 p.a. per FTB Part A child and $354 down to $300 per family per annum for each FTB Part B family.	-	-0.8	-1,200	Before Parliament - not passed. [16] Remains Government policy
Limit Large Family Supplement to families with four or more children	Families with three children, previously eligible, will miss out with measure to only be paid to 4th and subsequent children.	1.9	-123.1	-378	Passed[17] 2015 Budget proposes to abolish this Supplement
RETIREMENT INCOMES					
Pensions indexed to CPI instead of wages from 2017 (see above)	Pensioners living standards would fall behind community living standards, with estimated loss of $80 per week income.	0.5	-16.2	-450.7	Before Parliament - not passed. Withdrawn by Government in 2015-16 Budget but legislation still before Parliament
Extend pension age to 70 years by 2035	Would force people who cannot maintain employment until 70 or are no self-funded retirees to live on the lower Newstart Allowance for longer.	-	-	-	Before Parliament - not passed. Remains Government policy
Abolish Seniors Supplement	Would remove a $17 per week supplement to seniors with significant assets ($1.1. million or more) who do not qualify for a part-pension.	-241.4	-259.7	-1059.4	Before Parliament - not passed.
Include untaxed superannuation in the Seniors Health Card income test	Will improve targeting to those on lower incomes, but all existing recipients 'grandfathered'.	2.3	-3.6	-21.5	Passed
Income and asset test free areas (i.e.,	The asset test for the Age Pension is overly generous, so freezing this would	-160.9	-294.7	-1,479.2	Passed for pensions only, due to commence in 2017

15 Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014: http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r5355
16 Social Services and Other Legislation Amendment (2014 Budget Measures No. 4) Bill 2014: http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r5355.
17 Social Services and Other Legislation Amendment (2014 Budget Measures No. 6) Bill 2014: http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r5357.

Measure	Impact	Annual cost ($m in 2014-15)	Annual cost ($m in 2015-16)	Cost over four years ($m)	Status of measure
income and asset eligibility limits for receiving the full payment) and deeming rates for pensions and allowances to be frozen from July 2014 to July 2017	better target the payment. However the income test is reasonable and freezing the eligibility limit may make those already on low incomes ineligible. Also impacts DSP, Carer Payment and Veterans' Affairs pensions.				but now superseded by 2015-16 Budget measure. Before Parliament – not passed for working age, family and childcare payments.
Tighten pension income test from 2017 by lowering the threshold at which assets (besides the family home) are deemed to earn income – to $30,000 for singles and $50,000 for couples	Improves means testing by deeming income from assets besides the family home from a lower asset value (down from 46,000 for singles).			-34.7	Withdrawn in 2015-16 Budget
Superannuation Guarantee to increase from 9.25% to 9.5% in July 2014 as legislated, but is then frozen until July 2018	Superannuation contributions are taxed at a flat 15% which is a regressive tax that disproportionately benefits those on higher incomes (the top 10% receive a third of the value of concessions). ACOSS considers this needs to be amended before the Superannuation Guarantee is further lifted so that low-income earners receive a greater proportion of tax concessions and are encouraged to contribute more to superannuation.	0	170	-90	Any further increase in the Superannuation Guarantee would require legislation
HEALTH					
Combined Medicare safety net which sees lower thresholds for most people	This system would be simpler however safety nets are inflationary and mainly benefit high-income earners purchasing relatively expensive health services.	3.4	- 44.7	-266.7	Remains Government policy (to be implemented from 1 January 2016)
GP co-payment	People on low incomes may avoid visiting the doctor,	14	-1,128	-3,468	Measure abandoned, though concerns

Measure	**Impact**	Annual cost ($m in 2014-15)	Annual cost ($m in 2015-16)	Cost over four years ($m)	Status of measure
	resulting in more illness and higher health costs. Alternatively, low-income families may need to choose between going to the GP or other essential items such as food. People may decide not to get the tests that GPs believe are important to diagnose illness and conditions.				Government maintains its intention for reform in this area. However, Government has replaced this with a measure to freeze Medicare Rebates for GPs (see over page)
Changed indexation arrangements for hospitals from 2017-18 and removal of funding guarantees for public hospitals	This means states and Territories will be required to find additional funding through their budgets. It is estimated to result in a loss in funding for health for the state governments of $57 billion in 10 years.	-217.3	-260.5	-1800	Continuing measure. No need for legislation.
Increase in the costs of PBS prescriptions of $5. For concessional patients, this will be an increase of $0.80	This would raise the cost of prescriptions for most people to over $40 and for concessional patients to $6.80.	-145.2	-306.7	-1300	Legislation remains before Parliament. Remains Government policy
Increase of the PBS Safety Net from 1 Jan 2015 – generally, $145.30 and $61.80 more in order to reach the safety net and not pay for medicines	Safety nets to provide some protection for people accessing a high level of healthcare. This will see more out of pocket costs for people who use a high volume of medicines.	-145.2	-306.7	-1300	Legislation remains before Parliament. Remains Government policy
Pausing indexation of some Medicare Benefits Schedule fees	Effectively a co-payment forced on GPs.	-142	-394	-1700	Continuing measure
Education, including early childhood education and care					
Reducing indexation for schools from 2018	Schools funding to be indexed to CPI from 2018, effectively freezing funding at 2017 levels. This is estimated to leave a gap of $30 billion over the decade.	-	-	54.1	Remains Government policy
Introduction of cap on Jobs,	Introduction of $8 per hour cap on funding per child	7.4	-22.4	3.6	JETCCFA to be replaced by new child

Measure	**Impact**	Annual cost ($m in 2014-15)	Annual cost ($m in 2015-16)	Cost over four years ($m)	Status of measure
Education and Training Child Care Assistance (JETCCFA) hourly rate and number of hours claimable	and weekly cap of 36 hours per child for parents undertaking study. Savings of $22.8/ 2 years offset by increased investment to Department of Human Services (DHS) to implement changes, including increased compliance costs, and increased funding to meet anticipated demand.				care subsidy (above)
Tighter eligibility for Childcare Community Support Program (family day care)	Eligibility to be restricted to family day care services which are the only providers in an area, weighted towards regional, remote and disadvantaged communities. Additional funding to meet existing commitments more than offset by savings from tighter eligibility.	91.9	-51.6	-65.2	Remains current policy
Cuts to range of child care system staff development programs	Cuts to range of professional development programs in the child care sector will adversely impact providers and staff and potential long-term impacts on workforce and quality.	-5.7	-4.9	-39.3	Current Government policy, but see child care reform package
ABORIGINAL AND TORRES STRAIT ISLANDER PROGRAMS					
Aboriginal and Torres Strait Islander Services – rationalisation	150 programs to be consolidated into five at a total saving of $493.7m. More than $160m of these savings will come from a reduction of expenditure on health programmes. This measure will impact negatively on the variety of services available to Aboriginal and Torres Strait Islander communities.	-163.0	-145.6	-493.7	Remains Government policy
National Congress of Australia's First Peoples - cessation	Defunding of the National Congress of Australia's First Peoples. This organisation is the peak, representative voice of Aboriginal and Torres Strait Islander peoples in Australia. This measure will negatively impact upon	-5.0	-5.	-15.0	Implemented

Measure	**Impact**	Annual cost ($m in 2014-15)	Annual cost ($m in 2015-16)	Cost over four years ($m)	Status of measure
	Aboriginal and Torres Strait Islander people's ability to engage in decision-making processes.				
COMMUNITY SERVICES					
Reform of discretionary Grants Programs administered by Department of Social Services (DSS): Consolidation of Grant programs into seven grant programs	Consolidated grant programs include: Families and Communities, Disability, Mental Health and Carers, Housing and Homelessness Support, Residential and Flexible Car Program, Workforce and Quality, Ageing and Service improvement.	-51.9	-$57.1	-$240	Implemented
Indexation of 112 administered programs will be paused for three years, commencing July 2014 or July 2015, depending on individual program circumstances	It is currently unclear which programs will be impacted by this initiative (noted as a cross portfolio initiative). Will erode the value of grants programs delivered to the community, as the growing cost of programs due to increase in prices is not reflected in grant funding.	-15	-34.1	-165	Implemented
Legal Aid - withdrawal of additional funding	Reduction in funding to legal aid commissioners by $15 million in 2014-15.	-15	-	-15	Partial restoration of funding
HOUSING AND HOMELESSNESS PROGRAMS					
Reduced funding for the National Homelessness Research Strategy for activities in 2014-15	This was announced pre-Budget, and ceases the research component of the National Partnership Agreement (NPA) on Homelessness, which was excluded from the 12 month funding extension.	-3.1	-	-	Remains Government policy – excluded from funding extension in 2015-16 Budget
NRAS – discontinuation of incentive allocations and no proceeding of Round 5	Affects low-income families struggling to find affordable rents.	-	-36	-235.2	Remains Government policy
Abolish 'Housing Help for Seniors Pilot', due to commence July	Defunding of pilot due to commence 1 July 2014 which would enable older people to downsize without	-12.8	-33.9	-173.1	Remains Government policy

Measure	**Impact**	Annual cost ($m in 2014-15)	Annual cost ($m in 2015-16)	Cost over four years ($m)	Status of measure
2014	affecting their pension eligibility, by being able to keep 80 per cent of the excess sale proceeds (to a cap of $200,000) from the sale of their former home into a special account be exempt from the pension income and assets tests for up to 10 years, or until a withdrawal is made from the account, whichever occurs first.				
Cessation of First Home Saver Accounts scheme	This will impact adversely on first home buyers saving for a deposit. The scheme offered $18 million last year in tax concessions and Government contributions and high interest rates for account holders that were only accessible after four years on the purchase of a first home. Any accounts opened after the Budget will no longer be able to gain concessions.	-18	-36.1	-134.3	Implemented

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