



ACOSS Info

**Initial analysis of Federal Budget | 2010-11 |
ACOSS Paper 166, 12 May 2010**

**Australian
Council of
Social Service**

Overview

This initial ACOSS briefing on the 2010-11 Federal Budget outlines key measures announced in the Budget in areas of interest to ACOSS members, to assist them in their work. It does not offer extensive comment on the merit of these measures.

Major initiatives include the following:¹

Health

- National Health and Hospitals Network including allocations to hospitals, primary care and e-health. Includes workforce development, including nurse training places and rural locums, allied health scholarships and rural locums, prevocational general practice program, GP training places, nurse practitioners in aged care, GP nurse practitioners, aged care career development (\$7,300m over 4 years).
- Medicare Benefits Scheme Revision of Access for specialist consultation items to extend MBS to 3 additional medical specialties in sexual health, addiction, and exercise medicine (\$17m over 4 years).
- Removal of access to Medicare rebates for new clients accessing social workers and occupational therapists under the Better Access to Mental Health Services Program.

Community services

- Child care rebate - reducing the annual cap for gap fees redressing subsidies whose recipients are primarily higher income earners. (-\$6m, -\$14m in 2010-11)
- Resourcing the national disability strategy including allocations to peak bodies for community engagement and establishment of a policy coordination and secretariat unit within FaHCSIA. (\$7m over 4 years).
- Reduced funding for Family Relationship Services including a reduction in 'free' hours of Family Dispute Resolution and the cessation of funding research and development (\$43.9m over the next 4 years).

¹ Costings are provided for the first 2 years unless indicated and are in millions of dollars; positive estimates for expense measures indicate a cost to the Budget, positive estimates for revenue measures indicate an increase in revenue)

Indigenous affairs

- Establishment of Remote Service Delivery National Partnership Flexible Funding Pool (\$46m over 3 years).
- Establishment of National Congress of Australia's First Peoples (\$29m over 5 years).

Climate change, energy and energy efficiency

- Carbon Pollution Reduction Scheme (CPRS): indefinite deferral (-\$653m over five years).
- Renewable Energy Future Fund: CPRS savings allocated to new fund \$652.5m over four years starting 2010-11 Details still to come but includes large and small-scale renewable energy projects; and enhanced take-up of industrial, commercial and residential energy efficiency. (\$42m, \$352m in 2011-12).
- Climate Change Action Fund scrapped (-\$300m).

Social infrastructure investment and housing

- Bulk verification of community housing rent changes (\$2m, \$2m over 4 years)

Social security

- Fewer applicants get the Disability Support Pension after Jan 2012 due to a requirement to register first with disability employment providers to test their capacity to benefit from these services (\$1m, -\$55m in 2011-12, -\$189m in 2013-14)
- Extension of Income Management across the NT and continuation and expansion of school attendance and child protection trials. (\$127m, \$116m in 2011-12)

Employment, education and training

- States to guarantee access to VET places for young people in return for access to income contingent loans for students and the untying of some Productivity Places funding to the States (\$18m, \$17m in 2011-12)
- Language, literacy and numeracy training places for job seekers to increase from 56,000 to 70,000 plus 8,000 new places in community based literacy training (\$24m, \$31m in 2011-12)

Revenue measures including Taxation

- Superannuation: 15% rebate for low income earners, increase in contributions cap for mature age people, increase in super guarantee to 12% and extension to age 75; reduction in co-contribution for low income earners (-\$1,604m in 2013-14)
- 50% tax discount for interest income up to \$1,000 p.a. (-\$526m in 2013-14)
- A minimum deduction of \$500 p.a. for work related expenses (-\$608m in 2013-14)
- 40% tax on profits of mining companies above a risk free rate of return, partly offset by a reduction in the company tax rate to 28% (\$6,064m in 2013-14)
- A 25% increase in Tobacco Excise (\$985m, \$1,015m in 2011-12)

Impact on the Budget deficit

The Government reiterated its commitment to hold real annual expenditure growth to less than 2%, which will now apply from 2010-11 on.

The budget deficit for 2010-11 is expected to fall from the \$47B estimated in last year's Budget to \$41B. This is due to stronger than expected economic growth (\$9B) offset by the effect of policy decisions (which increase the deficit by \$3B).

Effect of expenditure and revenue measures and economic parameters on the Budget deficit

	Estimates			Projections
	2009-10	2010-11	2011-12	2012-13
	\$m	\$m	\$m	\$m
2009-10 Budget underlying cash balance(a)	-57,593	-57,051	-44,535	-28,150
Per cent of GDP(b)	-4.9	-4.7	-3.4	-2.0
Changes between 2009-10 Budget and MYEFO				
Effect of policy decisions(c)	-516	1,587	367	255
Effect of parameter and other variations	423	8,842	13,001	11,993
Total variations	-93	10,429	13,368	12,249
2009-10 MYEFO underlying cash balance(a)	-57,686	-46,622	-31,167	-15,901
Per cent of GDP(b)	-4.5	-3.5	-2.2	-1.1
Changes from MYEFO to 2010-11 Budget				
Effect of policy decisions(c)	-2,124	-3,024	227	-2,648
Effect of parameter and other variations	2,730	8,890	17,895	19,564
Total variations	606	5,866	18,122	16,917
2010-11 Budget underlying cash balance(a)	-57,079	-40,756	-13,045	1,016
Per cent of GDP(b)	-4.4	-2.9	-0.9	0.1

Source: Budget Paper No 1

a. Excludes expected Future Fund earnings.

b. GDP forecasts for the 2009-10 Budget were prepared according to the System of National Accounts 1993, while forecasts for MYEFO and the 2010-11 Budget were prepared according to the System of National Accounts 2008.

c. Excludes secondary impacts on public debt interest of policy decisions and offsets from the contingency reserve for decisions taken.

The Budget is projected to return to surplus in 2012-13, one year before previously projected.

Budget revenue, expenses and balances

	Actual	Estimates		Projections		
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Revenue (\$b)	298.9	294.2	321.8	356.4	381.9	407.2
Per cent of GDP	23.7	22.7	22.9	24.0	24.3	24.6
Expenses (\$b)	324.6	343.1	354.6	364.6	381.0	398.0
Per cent of GDP	25.8	26.5	25.2	24.5	24.3	24.0
Net operating balance (\$b)	-25.6	-48.9	-32.8	-8.2	0.9	9.2
Net capital investment (\$b)	4.1	5.8	6.8	3.9	-1.0	2.9
Fiscal balance (\$b)	-29.7	-54.8	-39.6	-12.1	2.0	6.3
Per cent of GDP	-2.4	-4.2	-2.8	-0.8	0.1	0.4
Underlying cash balance (\$b) (a)	-27.1	-57.1	-40.8	-13.0	1.0	5.4
Per cent of GDP	-2.2	-4.4	-2.9	-0.9	0.1	0.3
Memorandum Item:						
Headline cash balance (\$b)	-31.3	-59.2	-46.0	-14.6	-2.2	4.1

Source: Budget Paper No 1

a. Excludes expected Future Fund earnings.

Estimates for key economic indicators

The Budget estimates that the economic growth will continue to strengthen, from an average of 2% in 2009-10 to 3.25% in 2010-11. Unemployment is estimated to fall to 4.75% by 2011-12.

Table 1: Domestic economy forecasts^(a)

	Outcomes(b)	Forecasts		
	2008-09	2009-10	2010-11	2011-12
Panel A - Demand and output(c)				
Household consumption	1.9	2 3/4	3 1/2	4
Private investment				
Dwellings	-1.9	3	7 1/2	4
Total business investment(d)	6.6	-2	7	12 1/2
Non-dwelling construction(d)	8.5	-7	8	14 1/2
Machinery and equipment(d)	4.8	- 1/2	6	13
Private final demand(d)	2.3	1 3/4	4 1/2	6
Public final demand(d)	4.3	7 1/4	1	- 1/2
Total final demand	2.7	3	3 3/4	4 1/2
Change in inventories(e)	-0.9	3/4	1/2	0
Gross national expenditure	1.6	3 3/4	4 1/4	4 3/4
Exports of goods and services	0.1	1 1/2	5	6
Imports of goods and services	-2.8	5	9	8 1/2
Net exports(e)	0.8	- 3/4	-1	- 3/4
Gross domestic product	1.3	2	3 1/4	4
Non-farm product	1.0	2	3 1/2	4
Farm product	17.8	8	1	2
Nominal gross domestic product	6.5	2 3/4	8 1/2	5 3/4
Panel B - Other selected economic measures				
External accounts				
Terms of trade	9.6	-3 3/4	14 1/4	-3 3/4
Current account balance (per cent of GDP)	-3.0	-4 3/4	-3 3/4	-5
Labour market				
Employment (labour force survey basis)(f)	0.1	2 1/2	2 1/4	2
Unemployment rate (per cent)(g)	5.7	5 1/4	5	4 3/4
Participation rate (per cent)(g)	65.4	65 1/4	65 1/2	65 1/2
Prices and wages				
Consumer Price Index(h)	1.5	3 1/4	2 1/2	2 1/2
Gross non-farm product deflator	5.5	1	5	1 3/4
Wage Price Index(f)	3.8	2 3/4	3 3/4	4

Source: Budget Paper No 1

- Percentage change on previous year unless otherwise indicated.
- Calculated using original data.
- Chain volume measures except for nominal gross domestic product which is in current prices.
- Excluding second-hand asset sales from the public sector to the private sector.
- Percentage point contribution to growth in GDP.
- Seasonally adjusted, through-the-year growth rate to the June quarter.
- Seasonally adjusted estimate for the June quarter.
- Through-the-year growth to the June quarter.

Key Budget Measures

The tables below provide more detailed summaries of key Budget measures.

Community services

Measures	Impact	Annual cost (\$m in 2010-11)	Annual cost (\$m in 2011-12)
Cuts to Child Care Rebate	Reduce annual cap for gap fees to \$7,500 (from \$7,778) and suspend its indexation (mainly affecting high income earners)	-\$6m	-\$14m
Reduction in funding for Family Relationship Services (FRS)	Reduced funding for Family Relationship Services including a reduction in 'free' hours of Family Dispute Resolution and the cessation of funding research and development.		\$43.9m over 4 years
Resourcing of National Disability Strategy	Funding to peak bodies for community engagement on the National Disability Strategy, National Carers Strategy and Productivity Commission inquiry into a long-term disability care and support scheme.	\$1m	
Coordination of National Disability Strategy (NDS)	\$6.2 million over 4 years for secretariat and policy coordination unit within FaHCSIA to engage with stakeholders and further develop the NDS.		\$6m over 4 years.

Health

National Health and Hospital Network

Measures	Impact	Annual cost (\$m in 2010-11)	Annual cost (\$m in 2011-12)
Aged care (combined)	Multipurpose services, loans, GP access, provider viability and efficiency, complaints processes, savings protections	\$155m	\$145m
Primary Care (combined)	Coordinated diabetes care, GP Super Clinics, Medicare Locals, after-hours GP services	\$76m	\$259m
Public Hospitals (combined)	Emergency department and elective surgery targets, subacute beds, activity-based funding	\$879	\$701m
Mental Health (COAG)	Youth services, mental health nurses, EPPIC model, clinical care for people with severe mental illness	\$20m	\$39m
Workforce (combined)	Training (\$1.2bn over 4 year)	\$74m	\$202m
Independent Hospital Pricing Authority (new)	Establish the IHPA	\$4m	\$32m
E-health (new)	Individual Electronic Health Records	\$186m	\$281m
Building the foundations for reform (new)	Information and awareness	\$18m	\$1m
Australian Commission on Safety and Quality in Health Care (new)	Continuation and expansion	\$1m	\$8m
National Performance Authority (new)	Establish the NPA	\$22m	\$24m

Other

Measures	Impact	Annual cost (\$m in 2010-11)	Annual cost (\$m in 2011-12)
Removal of social workers and occupational therapists from Better Access to Mental Health Care Program	New clients accessing social workers and occupational therapists will no longer be able to claim a rebate on these services under the Better Access to Mental Health Services Program		

National Binge Drinking Strategy – expansion (new)	\$50m over 4 years to build on existing initiatives	\$10m	\$12m
Medicare Benefits Schedule Revision of Access for specialist consultation items (new)	\$16.9m over 4 years to extend MBS to 3 additional medical specialties in sexual health, addiction, and exercise medicine.	\$3m	\$4m
National Male Health Policy (new)	\$16.7m for men's health; time period for spending unspecified	-	-

Indigenous affairs

Measures	Impact	Annual cost (\$m in 2010-11)	Annual cost (\$m in 2011-12)
Establishment of Remote Service Delivery National Partnership Flexible Funding Pool	To support projects identified by through Local Implementation Plans that cannot be funded from existing programs. Intended to be more responsive to community needs, reduce red tape and bureaucratic delays (\$46m over 3 years). Announced in PM's Closing the Gap oration.	\$17m	\$17m
Improvements to Budget Base Funded child care services	To improve quality of services to vulnerable and disadvantaged children, including 100 Indigenous services (\$59.4m over 4 years).	\$11m	\$18m
Extending supply of Opal fuel	To expand storage and distribution of Opal fuel to meet demand in Northern Australia and reduce petrol sniffing (\$38.5m over 4 years).	\$6m	\$8m
Establishment of new Congress	Funding redirected from the Indigenous Communities Strategic Investments program and Law and Justice Advocacy Development program (\$29.2m over 5 years).	\$6m	\$7m
Reform of CDEP program in the Torres Strait	Extend work requirements for CDEP participants, replace some CDEP jobs with fully-paid community jobs as in remote areas generally (\$44.3m over 4 years). To be funded by cuts to CDEP nationally and by pausing CDEP indexation.	\$4m	-\$1m
Continuation of National Indigenous Violence and Child Abuse Intelligence Task Force	To extend the Task Force for a further two years.	\$3m	\$3m

Climate change

Measures	Impact	Annual cost (\$m in 2010-11)	Annual cost (\$m in 2011-12)
Deferral of CPRS	To commence in 2013 if other countries take sufficient action		-\$653m over 5 years from 2009-10
Renewable energy future fund	For large and small scale renewable energy projects, enhance take-up of industrial, commercial and residential energy efficiency (\$653m over four years from 2010-11)	\$42m	\$352m
Climate Change Foundation Campaign	\$30m over two years commencing 2009-10, national campaign to educate community including climate science (not new money, from within DCCEE portfolio)	\$13m	
Climate Change Action Fund	terminated	-\$300m	
Green Start (as announced November 2009, then suspended for commencement January 2011), a program to improve energy and water efficiency in low income households	if this is 'Low Emission Assistance for Renters', per DCCEE Portfolio Budget Statement	\$79	\$50m
Green Loans: Expansion of green home sustainability assessments	An extra 600,000 assessments, loans no longer available	\$109m	-
Overseas development assistance, various programs	International Climate Change, Adaptation Initiative, multilateral climate change financing		\$118m
International forest carbon initiative	To reduce deforestation in developing countries		\$28m

Social security

Measures	Impact	Annual cost (\$m in 2010-11)	Annual cost (\$m in 2011-12)
Tighter Job Capacity Assessments for DSP, no need for assessments to obtain temporary exemptions from Newstart requirements	Fewer applicants get the DSP from Jan 2012 due to a requirement to register first with disability employment providers to test their capacity to benefit from these services; JCA assessments are no longer needed for Newstart Allowance recipients with temporary incapacities	\$1m	-\$55m
Extension of Income Management (already announced)	Extension of Income Management across the NT and continuation and expansion of school attendance and child protection trials	\$127m	\$116m
Earn or learn	Young people 16-20 yrs will have to study fulltime for their parents to qualify for Family Tax Benefit (but some may be able to get Youth Allowance instead); More places in Youth Pathways and Connections programs	-\$21m	-\$23m
Weekly income support payments	Weekly payments to extend to up to 12,000 people under the Homelessness Strategy	-	-

Employment and education

Measures	Impact	Annual cost (\$m in 2010-11)	Annual cost (\$m in 2011-12)
VET training entitlement for youth under 25 years	States to guarantee access to VET places for young people in return for access to income contingent loans for diploma students and the untying of some Productivity Places funding to the States	\$18m	\$17m
Expansion of Language Literacy & Numeracy programs	Places to increase from 56,000 to 70,000 (an increase of 14,000) for jobseekers; plus 8,000 places in community based literacy training	\$24m	\$31m
Cuts to Jobs Fund	Fewer Jobs Fund projects to be funded	-\$26m	
Disability Employment Services	Increased funding for DES services for people with Intellectual Disabilities; quicker access to DES services for young people leaving State programs	\$4	\$4

Housing

Measures	Impact	Annual cost (\$m in 2010-11)	Annual cost (\$m in 2011-12)
Bulk verification of community housing rent assistance	Community housing providers to give information to Centrelink to calculate rent assistance entitlements	\$2m	-

Taxation

Measures	Impact	Annual cost (\$m in 2010-11)	Annual cost (\$m in 2011-12)
<p>Superannuation: 15% rebate for low income earners, increase in contributions cap for mature age people, increase in super guarantee to 12% and extension to age 75; reduction in co-contribution for low income earners</p>	<p>New 15% rebate up to \$500 p.a. (not indexed) for employer contributions for those earning under \$37,000 (not indexed) - eliminates tax on super guarantee contributions for people on lowest tax rate; Cost is partly offset by reductions in the co-contribution for personal contributions by low income earners; Higher contributions cap for mature age people (to \$50,000 in contributions p.a. for those with less than \$500,000 in their accounts); Increase in super Guarantee to 12% and extension to 71-75 year olds</p>		<p>- \$1,604 m in 2013-14</p>
<p>50% tax discount for interest income up to \$1,000 p.a.</p>	<p>A 50% deduction for the first \$1,000 in interest income; A bank balance of approx \$20,000 is needed to fully benefit; 30% of interest income goes to the top 10% (>\$100,000p.a.) and 35% to the bottom 50%; Middle income families will also benefit from higher family payments as their taxable income falls</p>		<p>-\$526m in 2013- 14</p>

Taxation (continued)

Measures	Impact	Annual cost (\$m in 2010-11)	Annual cost (\$m in 2011-12)
Standard deduction for work related expenses	A minimum deduction of \$500 p.a. for work related expenses; Low income earners, who now claim lower work related deductions, should benefit disproportionately; Middle income families will also benefit from higher FTB payments as their taxable income falls		-\$526m in 2013-14
Resource Rents Tax	40% tax on profits of mining companies above a risk free rate of return		\$8,265 m in 2013-14
Reduction in company income tax rate	A reduction from 30% to 28%		-\$2201m in 2013-14
Increase in tobacco excise	A 25% increase in tobacco excise	\$985m	\$1,015 m