



National Commission of Audit: Summary of recommendations

On 1 May 2014 the Federal Government released its National Commission of Audit (NCOA) findings on streamlining the efficiency of government.

The comprehensive scope of the report leaves little to the imagination and is expected to form the

The 64 recommendations are summarised below. The recommendations are divided into what I would call “themes” and have been grouped accordingly. Where appropriate a summary has been provided in *Italics*.

Theme: Approach to government and new fiscal rules (Recommendations 1-6)

These measures are aimed at shaking up the operational management of Government and bringing some of the disciplines to Government that many Australians already apply to the management of their personal financial and business affairs. To a non-economist, some of the measures belie how inefficient some aspects of management in government have become. The reforms proposed signal big potential changes to staffing within the Federal public service.

- Achieve a surplus of 1 per cent of GDP by 2023-24.
- Substantially reduce net debt over the next decade.
- Ensure taxation receipts remain below 24 per cent of GDP.
- Provide funding to unfunded public service superannuation liabilities.
- Let the private sector take equity positions to prevent putting taxpayer funds into projects with low return and excessive risk.

Theme: Reforming the Federation (Recommendations 7-11)

These recommendations focus on delivering efficient government at the pavement level, eliminating duplication between layers of government and giving States access to tax income and gain more autonomy in their revenue collection settings.

- Delivery is delivered by the level of government closest to the people.
- Minimise duplication between the Commonwealth and the States.

- Give the States access to the personal income tax base creating a State level income tax (similar to the US) and let them choose their level of tax to encourage competition between the States.
- Share GST on a per capita basis and make equalisation grants to deal with any inequalities.
- Replace COAG with the Productivity Commission.

Theme: Retirement system (Recommendations 12 -15)

RECOMMENDATIONS 12 – 13: AGE PENSION INDEXATION AND ELIGIBILITY

Existing retirees will gradually be affected by a gradual slow down in the rate of increase in indexation of aged pensions, but the key measures are really directed at lifting the ladder on access to government pensions to Gen X, Y and beyond. The inclusion of “valuable” family homes (set below the level of the current Sydney median house price) in means testing will instantly lock many out of the government aged pension and force people in their 40’s to think about liberating value from the family home to fund their retirement. A gradual lift is proposed in the age the people can access their own superannuation savings to 62 by 2027 and ultimately 65. This could actually mean that smart acting middle aged people who have enough will be able to access key contributions concessions for a few more years.

- Age Pension indexation arrangements to a benchmark of 28% of Average Weekly Earnings over 15 years.
- Increase the eligibility age for the Age Pension to around 70 by 2053. The proposed change would not affect anyone born before 1965.
- Replace the current income and assets tests with a single comprehensive means test, which deems income from a greater range of assets from 2027-28.
- Include in the new means test the value of the principal residence above a relatively high threshold. The threshold in 2027-28 would be equivalent to the indexed value of a residence valued today at \$750,000 for coupled pensioners and the indexed value of a residence valued today at \$500,000 for a single pensioner.
- Increasing the income taper rate from 50 per cent to 75 per cent for new recipients from 2027-28 onwards.

RECOMMENDATION 14: SUPERANNUATION PRESERVATION AGE TO 62 BY 2027

- Increasing the superannuation preservation age to five years below the Age Pension age so the preservation age reaches 62 by 2027.

RECOMMENDATION 15: TIGHTEN MEANS TESTING FOR THE COMMONWEALTH SENIORS HEALTH CARD

Theme: Health care (Recommendations 16 to 19)

The key emphasis is to push people to more of a user pays setting.

RECOMMENDATION 16: SLOWING THE PHASING IN OF THE NATIONAL DISABILITY INSURANCE SCHEME

RECOMMENDATION 17: SHORT TO MEDIUM-TERM HEALTH CARE REFORMS

- Requiring higher-income earners to take out private health insurance for basic health services in place of Medicare; and precluding them from accessing the private health insurance rebate.
- Co-payments for all Medicare funded services, underpinned by a new safety net arrangement that would operate once a patient has exceeded 15 visits or services in a year. General patients would pay \$15.00 per service up to the safety net threshold and \$7.50 per service once the safety net threshold has been exceeded. Concession card holders would pay \$5.00 per service up to the safety net threshold and \$2.50 per service once the safety net threshold has been exceeded;

RECOMMENDATION 18: COME UP WITH A PROPOSAL TO REFORM THE OVERALL HEALTH CARE (AGAIN!)

RECOMMENDATION 19: CO-PAYMENTS UNDER THE PHARMACEUTICAL BENEFITS SCHEME

- For general patients with costs below the safety net, a co-payment increase of \$5.00 (increase from \$36.90 to \$41.90), while above the safety net a rise of \$5.00 (from \$6.00 to \$11.00);
- In line with the increased co-payment arrangements, the general patient safety net should increase from \$1,421.20 to \$1,613.77; and
- For concession card holders, no increase to the current co-payment of \$6.00 while below the safety net threshold of \$360.00. However, once the safety net limit has been reached, concession card holders will be required to contribute \$2.00 to the cost of their medicines;
- Opening up the pharmacy sector to competition

Theme: Family benefits

The general message is that middle class welfare in the form of direct hand-outs is being removed. The NCOA believes Government money is better spent on expanding the types of care available through the childcare system at the expense of the Government's current proposed levels of paid parental leave.

Theme: School Education

Funding generally is stepped back from the long term "Gonski" levels, but appears positioned to honour short term funding commitments of the Government. It looks like big adjustments are planned to the public service head-count in the Federal Department of Education.

RECOMMENDATION 23: SCHOOLS FUNDING

- Policy and funding responsibility for government and non government schools is transferred to the States, with annual funding provided in three separate, non-transferrable pools – one each for government schools; Catholic systemic schools and independent schools.
- Publish funding and student outcomes on a nationally consistent basis.
- Base Commonwealth funding from 2018 onwards on 2017 levels with funding indexation based on CPI and average wage price movements.

RECOMMENDATION 20: FAMILY TAX BENEFITS

- Changing arrangements for Family Tax Benefit Part A by introducing a new single means test, with the maximum rate of the benefit paid up to a family adjusted taxable income of \$48,837 and then phasing out at 20 cents in the dollar until the payment reaches nil;
- Abolishing Family Tax Benefit Part B;
- Introducing a new Family Tax Benefit Part A supplement to be paid to sole parent families who have a child under the age of eight. The supplement should be the same as the current maximum rates of Family Tax Benefit Part B (\$4,241 for a family with a child under five, or \$3,070 for those whose youngest child is aged five to eight years);
- Changing the per child rates to be based on the current Family Tax Benefit Part A rates for a first child and paid at 90 per cent of this for second and subsequent children; and
- Removing the Large Family Supplement and Multiple Birth Allowance recognising that the costs of children are sufficiently covered by the basic rates.

RECOMMENDATION 21: PAID PARENTAL LEAVE

- Targeting expenditure to those most in need by lowering the Paid Parental Leave wage replacement cap to Average Weekly Earnings (currently \$57,460), indexed annually to movements in this wage; and
- Savings from the lower wage replacement cap be redirected to offset the cost of expanded child care assistance, with the intent of making the changes broadly budget neutral, including retaining the 1.5 per cent levy on company taxable income above \$5 million per year.

RECOMMENDATION 22: CHILD CARE

- Should include in-home care and other types of care that are not currently subsidised.

Theme: Defence (recommendation 24)

Better control of efficiency, effectiveness, accountability and transparency of Defence spending. Big shake-ups in public service organisation and staffing levels.

Theme: Government Care

Introduction of new means testing measures to limit access to Government care and further deregulation of the aged care sector.

RECOMMENDATION 25: AGED CARE

- Full value of the principal residence in the current aged care means test;
- Allow access equity in a residence, to pay for part of aged care costs;
- Introduce a fee for providers to access the accommodation bond guarantee or insure against default of a patient.

RECOMMENDATION 26: CARER PAYMENTS

- Only one Carer Supplement per carer;
- Income test for the Carer Allowance, set at \$150,000 per year;
- Reviewing eligibility criteria to encourage the carer to participate in employment;
- Aligning Carer Payment to Age Pension changes (28% of AWOTE).

THEME: UNEMPLOYMENT BENEFITS (RECOMMENDATION 27)

- Young single people aged 22 to 30 without dependants to relocate to higher employment areas or lose access to benefits after a period of 12 months on benefit
- Increasing the income test withdrawal (taper) rate to 75 per cent for Newstart recipients and other related allowances.

THE MINIMUM WAGE (RECOMMENDATION 28)

- 'Minimum Wage Benchmark', set at 44 per cent of Average Weekly Earnings;
- Transition over 10 years by indexing at less than; and

THEME: THE DISABILITY SUPPORT PENSION (RECOMMENDATION 29)

- Aligning the Disability Support Pension to the revised benchmarks for the aged pension described above and increasing

THEME: HIGHER EDUCATION (RECOMMENDATION 30)

- Students pay more, government pays less (55:45 vs the current 41:59)
- Deregulation of bachelor degree fees
- Increasing the interest rate on student HELP debt and increasing repayments

THEME: FOREIGN AID RECOMMENDATION 31

- Outcomes focused spending with limitation of future growth in the aid spend by requiring business case justification rather than unevaluated indexation

Theme: Industry Assistance

RECOMMENDATION 32: INDUSTRY ASSISTANCE

- Limit assistance to areas of genuine market failure and transitional assistance
- Eliminating or reducing funding for 22 existing programmes
- Softening anti-dumping rules so they only apply on a cost/ benefit basis
- Agenda of labour market reform, deregulation, energy policy and provision of economic infrastructure.

RECOMMENDATION 33: ASSISTANCE TO EXPORTERS

Abolish:

- Export Market Development Grants
- Tourism industry grants
- Asian Business Engagement Plan,
- Halve funding for Tourism Australia.

Significantly reduce Austrade and restructure Austrade and Tourism and Australia into DFAT.

RECOMMENDATION 34: RESEARCH AND DEVELOPMENT

Abolish sector-specific research and development programmes;

- reducing government support for Rural Research and Development Corporations to better reflect the mix of private and public benefits;
- Streamlining existing grants processes;
- Better government oversight of CSIRO.

Other recommendations

Recommendation 35: Indigenous programmes – create a PM’s Indigenous Affairs agency and rationalise and consolidate programs

Recommendation 36: External review of resourcing diplomacy and consular activities, fees for consular services

Recommendation 37: Abolish the Farm Finance Concessional Loans Scheme

Recommendation 38: Housing assistance: disband existing affordable housing programs and replace with rent assistance to States that charge market rates of rent

Recommendation 39: Vocational education and training: abolish Federal schemes and drive through the States

Recommendation 40: Mental health – remove duplication between the Commonwealth and the States

Recommendation 41: Natural disaster relief – push to the States and make disaster-specific grants

Recommendation 42: Community Investment Programme – push to the States

Recommendation 43: Visa processing – Outsource

Recommendation 44: Employment services – cut costs over jobseeker

Recommendation 45: Efficiency of the public broadcasters – better benchmarking of performance of the ABC and SBS

Recommendation 46: Containing costs associated with Illegal Maritime Arrivals

Recommendation 47: Fair Entitlements Guarantee Scheme

- cap maximum redundancy payment equivalent to 16 weeks' pay
- limit the wage base for the scheme to Average Weekly Earnings.

Recommendation 48: Scale back Medical indemnity subsidies

Recommendation 49: Grants programmes – centralise administration and decrease volume

Rationalising and streamlining government bodies

Recommendation 50: Reduce the number of government bodies by 73

Recommendation 51: Consolidation of border protection services

Recommendation 52: Consolidated crime intelligence capability

Recommendation 53: Consolidation of Health bodies

Recommendation 54: Single civilian merits review tribunal

Recommendation 55: A central register and new guidelines for establishing bodies

Recommendation 56: Reduce the number of boards, committees and councils

Improving government through markets and technology

Recommendation 57: Privatisations

Short term

1. Australian Hearing Services.
2. Snowy Hydro Limited.
3. Defence Housing Australia.
4. ASC Pty Ltd.

Medium term

1. Australian Postal Corporation.
2. Moorebank Intermodal Company Limited.
3. Australian Rail Track Corporation Limited.
4. Royal Australian Mint.
5. COMCAR.

Long term

1. NBN Co Limited.

Recommendation 58: Management of the Commonwealth Estate – adopt commercial property management expertise

Recommendation 59: Professionalise outsourcing, competitive tendering and procurement

Recommendation 60: Outsourcing of the Department of Human Services payments system

Recommendation 61: Data – “get commercial” on big data

Recommendation 62: e-Government – accelerate on-line service delivery

Recommendation 63: Cloud computing – adopt “cloud first” strategy

Recommendation 64: Corporate services and systems – moved to shared services for all departments and agencies.



Sydney
Level 11
309 Kent Street
Sydney NSW 2000

T 02 8262 8700

Newcastle
2nd Floor
175 Scott Street
Newcastle NSW 2300

T 02 4907 7222

Brisbane
Level 22
333 Ann Street
Brisbane QLD 4000

T 07 3839 1755