



Australian Government

Australian Government response to the Senate Select Committee into the Abbott Government's Commission of Audit

Second Interim Report – April 2014

October 2018

Government Response to the Senate Select Committee into the Abbott Government's Commission of Audit Second Interim Report

Recommendation 1

The Committee recommends that the government use funding found through efficiencies to increase evidence based preventative health measures aimed at reducing the burden of chronic conditions in the future.

Response

Noted.

Preventive health and research investment are priorities under the Australian Government's Long-Term National Health Plan, which are being supported in the 2017-18 and 2018-19 Budgets. With heart disease, cancer and mental illness accounting for almost half the burden of disease in Australia, the Government is funding initiatives to support healthy lifestyles, prioritising mental health, preventive health and sport, and investment in research. Examples of such initiatives include:

- \$64.3 million in the 2017-18 Budget to continue mammogram screening for women aged 70 to 74 years under the BreastScreen Program, which complements the BreastScreen Australia services being provided for women aged 50 to 69.
- \$41.6 million in the 2017-18 Budget for the Victorian Cytology Service to continue research and quality services for cervical cancer screening.
- \$41.7 million from 2018-19 to 2019-20 for a 12 month extension of the Sporting Schools Program taking total investment to \$201.5 million.
- \$29.7 million in 2018-19 for community sport infrastructure grants program to build infrastructure in local communities to support physical activity.
- \$28.9 million from 2018-19 to 2021-2022 for a participation grants program to get inactive people moving.
- \$22.9 million from 2018-19 to 2019-20 to support activity in older Australians.
- \$20 million for preventive health and research translation projects under the Medical Research Future Fund (MRFF).
- \$10.8 million to fight childhood cancer through research and clinical trials.
- \$10 million to the Heart Foundation for the Prime Minister's Walk for Life Challenge.
- \$5.9 million to expand the Prostate Cancer Nurse program.
- \$5 million to Royal Australian College of General Practitioners to develop education and training material for GPs to support Australians to achieve a healthy lifestyle through increased physical activity and better nutrition.
- \$3 million for the development of easy to understand resources and education materials for pregnant women and their partners to manage their weight, improve their diet and increase their level of exercise to achieve cumulative benefits for both parents and children.
- \$125 million over 10 years from 2017-18 under the Medical Research Future Fund to support innovative, participatory research into the causes of mental illness, and the best prevention, early intervention and treatment strategies.

Recommendation 2

The Committee recommends that the government commit to provide additional resources to progress the review of Medicare Benefits Schedule item numbers being undertaken by the Medical Services Advisory Committee.

Response

Noted.

Additional funding was provided in the 2017-18 Budget to continue the review of the Medicare Benefits Schedule (MBS), to ensure that all items listed on the MBS are aligned with contemporary clinical evidence and improve health outcomes for patients.

Recommendation 3

The Committee strongly recommends that the government does not implement co-payments for GP consultations and emergency department services.

Response

Noted.

On 3 March 2015, the then Minister for Health announced that the proposed \$5 optional co-payment and \$5 reduction to the Medicare rebate would no longer proceed.

While restrictions on state and territory governments from charging patients presenting to hospital emergency departments for general practitioner like attendances have been removed, the decision whether to charge patients is a matter for state and territory governments.

Recommendation 4

The Committee recommends that the government review health data collected with a view to: consolidating data held by different departments across different levels of government; and collecting data on the value of preventative healthcare and the primary care function of GPs.

Response

Agreed in-principle.

Investment to advance the collection and use of government data in the development of evidence-based policy, including people-centred policy design was provided in the 2017-18 Budget under the Public Service Modernisation Fund.

From 1 July 2016, the function of reporting on the performance of Australia's health system was transferred from National Health Performance Agency to the Australian Institute of Health and Welfare (AIHW) and the Australian Commission on Safety and Quality in Health Care.

The Government funds the AIHW for a range of health data and monitoring activities. This includes the monitoring of chronic conditions in Australia through information about specific chronic conditions as well as chronic conditions collectively, associated risk factors, social determinants and at-risk populations.

The AIHW draws on a broad range of data sources, including those held by different agencies, sectors and levels of government. An ongoing focus for AIHW is undertaking data development to address key monitoring information gaps, including the use of linked data.

Recommendation 5

The Committee recommends that the government explore the effectiveness of the safety nets relating to medicines and primary care, including the consideration of potential options for improving access and reducing out-of-pocket costs to patients.

Response

Noted.

In the 2017-18 Budget, the Government announced its decision to retain the current Medicare and Pharmaceutical Benefits Scheme Safety Net Arrangements.

On 13 October 2017, the Health Minister announced the establishment of an expert committee to consider options to improve the transparency of medical out-of-pocket costs. The Ministerial Advisory Committee on Out-of-Pocket Costs is expected to provide its report by end 2018.

Recommendation 6

The Committee recommends services for low-income and vulnerable groups be quarantined from any government spending cuts.

Response

Noted.

The social security and welfare function amounts to \$176.0 billion in 2018-19, or slightly more than one third of total Government budgeted expenses (refer *Budget Paper No. 1 2018-19*, page 6-7).

The ability to reprioritise areas of expenditure (including support to low-income and vulnerable groups) is essential in order to ensure the effective and appropriate use of funding. This is to achieve the best outcomes for low income and vulnerable groups and ensure the sustainability of Government services, including to these groups and to manage the Budget in a responsible way.

Recommendation 7

The Committee recommends that the government actively consult with the community sector before undertaking any changes to targeting or prioritisation of funding in social services and disclose potential changes under consideration as part of this consultation.

Response

Noted.

Community consultation plays an important role in the development of good public policy. In practice, the consultation process undertaken for individual policy initiatives will need to be determined on a case-by-case basis.

Recommendation 8

The Committee recommends that the welfare review being undertaken by Mr Patrick McClure be released to the public once it has been provided to government.

Response

Noted.

The interim report was released on 29 June 2014. The final report was released on 25 February 2015 and can be found on the DSS website at <https://www.dss.gov.au/review-of-australias-welfare-system>.

Recommendation 9

The Committee recommends that any efficiencies found as a result of recommendations by the National Commission of Audit or the Welfare Review being undertaken by Mr Patrick McClure be reinvested in providing services such as those required to support people with a disability to enter or re-enter the workforce.

Response

Noted.

Reallocation of efficiencies found as a result of recommendations by the National Commission of Audit or the Welfare Review will need to be considered by Government alongside all competing expenditure priorities on a case-by-case basis.

Changes have been introduced to Disability Employment Services (DES) to get more people with disability into lasting employment. Effective 1 July 2018, the new DES model seeks to increase the rate of employment outcomes by emphasising participant choice over the services they receive, and engendering greater competition between providers. Providers are no longer guaranteed a percentage of referrals in an employment region, rather they need to attract participants to their service. This includes allowing providers to directly register eligible participants without a mutual obligation to participate.

Recommendation 10

The Committee recommends that the government does not reduce or remove the penalty rate system.

Response

Noted.

Penalty rates in modern awards are determined by the independent Fair Work Commission and have been varied by the Fair Work Commission (and its predecessors) multiple times in the last decade. The Government has no plans to change the way penalty rates are set and respects the independence of the Fair Work Commission.

The Government notes that, in 2010, when modern awards commenced, penalty rates increased in some states and territories but for many they stayed the same or in some cases were lowered following decisions of the then Australian Industrial Relations Commission. For example, from 1 July 2010:

- Penalty rates for hospitality workers in New South Wales who transitioned from the Hotel Employees (State) Award to the modern Hospitality Award saw their penalty rates on Sunday reduced from 200 per cent to 175 per cent (over a five-year period).
- Penalty rates for restaurant workers in South Australia who transitioned from the Cafes and Restaurants (SA) Award to the modern Restaurant Award saw their penalty rates on Sunday reduced from 200 per cent to 150 per cent for permanent employees and from 220 per cent to 175 per cent for casuals (over a five-year period).

In May 2014, the Fair Work Commission decided to reduce Sunday penalty rates for some casual employees under the Restaurant Award. The decision was made as part of the Commission's transitional review of modern awards, as required under the *Fair Work (Transitional Provisions and Consequential Amendments) Act 2009*.

On 23 February 2017, the Fair Work Commission decided to vary penalty rates under a number of modern awards in the retail and hospitality sectors. The decision was made as part of the Commission's four yearly review of modern awards, as set out under the *Fair Work Act 2009*.

Recommendation 11

The Committee recommends that the government ensure workers affected by jobs losses in the industry and manufacturing sectors have early access to information, support and opportunities to retrain and reskill.

Response

Agreed in-principle.

In the 2014-15 Budget, the Government established a \$155 million Growth Fund to support new jobs, investment and economic growth in South Australia and Victoria following the decisions of Ford, Holden and Toyota to cease vehicle manufacturing in Australia. Ford ceased manufacturing in 2016, followed by Holden and Toyota in 2017.

The Growth Fund includes a \$30 million Skills and Training initiative funded by Holden and Toyota to assist workers build on existing skills and gain new skills by providing financial education, career advice, skills assessment and recognition, and targeted referral to appropriate education and training for their workforce.

The Growth Fund also contributed \$15 million to the Automotive Industry Structural Adjustment Programme (AISAP) to assist retrenched automotive workers to find employment. In the 2018-19 Budget, access to the AISAP was extended to 30 June 2019. The AISAP has been actively communicated to Ford, Holden and Toyota and impacted supply chain workers to ensure retrenched workers are aware of services available to them.

The Government has provided a number of Structural Adjustment Packages (SAPs) to assist employees in areas where expectations of future employment opportunities for workers in the industry are low or where large-scale closures may impact on the local labour market. SAPs are implemented on a case-by-case basis and in exceptional circumstances to assist retrenched workers to transition to new employment as quickly as possible. Recent packages have been for Arrium Steel (Whyalla, South Australia), Hazelwood Power Station (Gippsland, Victoria), and Caterpillar Underground Mining (North/North West Tasmania) workers. As a component of these packages, Employment Facilitators have been contracted in a number of areas impacted by large-scale job losses to work directly with retrenched workers to connect them with training, job opportunities and to link them with other existing support.

On 1 July 2018, the \$10.3 million Stronger Transitions package commenced. The package is available in the following regions: Adelaide, Mandurah (Western Australia), North Queensland, North-West Tasmania, and West and North/West Melbourne. It consists of five targeted measures to support displaced workers to transition into new work, including:

- skills and training support – transition services (including through partnerships with business);
- employment support;
- better connecting skilled workers to employers and training (including Employment Facilitators and Jobs Fairs);
- supporting workers to relocate for employment; and
- providing access to small business opportunities.

The Government will also provide assistance through the \$18.4 million Regional Employment Trials program, which commences on 1 October 2018 in selected disadvantaged regions. The trial takes into account regional variations to help unemployed Australians prepare for and find work. Using a \$1 million per region Local Employment Initiative Fund, it will engage local stakeholders to develop employment projects. This could include supporting those impacted by job losses in the industry and manufacturing sectors. The local Regional Development Australia committee must first endorse proposals before being assessed by Government.

The trial regions are:

New South Wales

- Northern Inland RDA region
- Far South Coast RDA region

Victoria

- Melbourne (Western Melbourne/North Western Melbourne Employment Regions only)
- Gippsland RDA region

Queensland

- Townsville and North West (Townsville Employment Region only)
- Wide Bay Burnett RDA region

South Australia

- Murraylands and Riverland RDA Region
- Yorke and Mid North RDA Region

Western Australia

- Peel RDA Region

Tasmania

- Tasmania (North and North Western Tasmania Employment Region only)

The Government also provides employment assistance to job seekers through jobactive. All job seekers are eligible for support into new employment once they are registered with a provider. Through jobactive, job seekers have access to tailored help, based on their assessed needs. Depending on the needs of the individual job seeker, the providers may use the Employment Fund to provide integrated assistance in education, training, non-vocational assistance, work experience, job search requirements and other support as required.

To improve outcomes for jobactive participants aged 50 years and over, who are more likely to be impacted by structural unemployment, the Government introduced additional assistance as part of a Mature Age Employment Package in the 2017-18 Budget. These measures will assist mature age job seekers to reskill and gain work experience. A new Career Transition Assistance program will help mature age participants to seize opportunities in their local labour market, increase their job readiness and confidence, and develop their digital literacy. The National Work Experience Programme has been expanded and enhanced to provide more work experience for job seekers, including mature age job seekers, who may need to demonstrate their skills to a potential employer or gain experience in a new industry. Pathway to Work pilots will stimulate demand for mature age workers, connect job seekers with employers, and prepare and train mature age job seekers for specific vacancies.

As part of the More Choices for a Longer Life Package in the 2018-19 Budget, the Government announced the \$15.2 million 'Job Change' initiative, to support job-to-job transition in the labour market for retrenched workers. This measure will assist retrenched workers through:

- Better access to information about career pathways through a new Skills Transferability Tool on the Job Outlook website from 1 July 2019 and enhanced online retrenchment resources on the What's Next website from 1 July 2018.
- Earlier access to employment services for retrenched workers and their partners through jobactive from 1 July 2019.
- The development of the Retrenchment Rapid Response Framework, which commenced on 1 July 2018, and a new voluntary Redundancy Information Statement from 1 January 2019.
- Continuing intensive employment assistance for automotive manufacturing workers through jobactive until 30 June 2019, extending the Gippsland Employment Facilitator until 30 June 2020 and hosting Jobs Fairs in regions undergoing significant structural change.

Other jobs and skills measures that are being introduced as part of the More Choices for a Longer Life Package may also assist workers affected by structural change or who have

lost their job as a result of structural changes. These measures include trialling a new Skills and Training Incentive to help workers aged 45-70 years to enhance their skills for future workforce opportunities; bringing forward the national expansion of the Career Transition Assistance program by one year; and an additional 20 Entrepreneurship Facilitators to encourage self-employment as an alternative to traditional employment options.

Recommendation 12

The Committee recommends that in regions affected by job losses from the manufacturing sector, the government investigate opportunities for public/private partnerships for projects that would provide a future workforce as well as retraining and reskilling opportunities.

Response

Agreed in-principle.

In the 2014-15 Budget, as part of the Growth Fund, the Government established the \$90 million Next Generation Manufacturing Investment Programme (NGMIP) to support investment in high-value manufacturing in Victoria and South Australia. As at 23 July 2018, two rounds of NGMIP funded 48 projects and is expected to generate total investment of over \$230 million. Projects funded through the NGMIP support high value manufacturing across a wide range of sectors, including defence and aerospace, pharmaceuticals, medical devices, precision engineering and engineered timber building products.

The \$20 million Automotive Diversification Programme (ADP), also part of the Growth Fund, was established to help automotive supply chain firms enter new markets. Three rounds of ADP funded 31 projects, generating over \$50 million in total investment, concentrated in Victoria and South Australia.

The \$29.5 million Geelong Region Innovation and Investment Fund (GRIIF) and \$24.5 million Melbourne's North Innovation and Investment Fund (MNIIF) were joint responses by the Australian and Victorian governments, together with Ford and Alcoa, to support innovative, job creation projects that would strengthen and diversify their respective regional economies and employment bases. As at January 2018, three rounds of GRIIF supported 17 projects which are expected to create an estimated 903 jobs and leverage over \$170 million in total investment. Two rounds of MNIIF supported 20 projects which are expected to create an estimated 560 jobs and leverage over \$87 million in total investment.

In addition to these programmes, the Government has announced 233 projects with a total Australian Government commitment of \$220.5 million under the \$223 million Regional Jobs and Investment Packages (RJIP) for ten pilot regions across Australia. The RJIP will help diversify regional economies, stimulate economic growth and deliver sustainable employment. Projects receiving funding are expected to create more than 12,000 jobs.

Funding was made available through three streams - business innovation, local infrastructure and skills and training.

Local Planning Committees were established in each RJIP region to develop a Local Investment Plan that identified potential investment sectors and strategic priorities.

Funding rounds opened in May 2017 and closed in August 2017. Projects that are receiving funding under RJIP align with their region's Local Investment Plan.

The Australian Government's Regional Growth Fund is a \$272.2 million investment program over four years from 2018-19 to provide grants of \$10 million or more for major transformational projects, which support long term economic growth and create jobs in regions, including those undergoing structural adjustment. Eligible applicants under the program include private sector organisations who will partner with government to achieve these outcomes.

In the 2017-18 Budget the Government also provided \$100 million over five years to establish an Advanced Manufacturing Fund to drive innovation in Australia's manufacturing sector to create jobs, grow businesses, improve productivity and be globally competitive. The fund is an integrated set of initiatives that includes:

- \$47.5 million for the Advanced Manufacturing Growth Fund to help businesses adjust to the closure of car manufacturing and expand high value manufacturing in South Australia and Victoria.
- \$10 million for Automotive Innovation Labs in South Australia and Victoria to establish test automotive facilities and enhance business capability in the digital age.
- \$5 million for an Automotive Student Engineering Graduate Program to invest in the pipeline of highly trained engineers for the automotive design and engineering industry.

Recommendation 13

The Committee recommends that the government recognise the individual and community benefits of the solar industry by retaining the Renewable Energy Target.

Response

In June 2015, the Australian Parliament passed the Renewable Energy (Electricity) Amendment Bill 2015. As part of the amendment bill, the Large-scale Renewable Energy Target was reduced from 41 000 GWh to 33 000 GWh in 2020. The Renewable Energy Target is expected to lift the share of renewables to around 23.5 per cent of Australia's electricity generation in 2020.

Recommendation 14

The Committee recommends that there are no further cuts to jobs in the Australian public service.

Response

Noted.

The Government recognises the need for the Australian Public Service to be resourced appropriately to deliver the services and functions expected by the community. It is currently working to improve the structure and efficiency of the public sector and deliver improved services through the broader effort to create and support a smaller, smarter, more productive and sustainable government sector.

Recommendation 15

The Committee recommends that in the event that further cuts are made to public service staffing numbers, the government confirm the total number of jobs to be cut, the timeline (over the forward estimates) of these cuts, the rationale for these cuts and any impact on resources available for the purposes of policy development, contract management and program and service delivery.

Response

Noted.

Average staffing levels for each agency are published in Budget Paper 4, projecting expected staffing figures for the financial year immediately ahead and the change from the preceding year. Where the current Government has implemented further reductions to public sector staffing above the cuts inherited from the previous Government, these have been predominantly targeted in specific agencies or areas of activity, based on clear and transparent decisions about priorities and functional requirements. The Government's ongoing commitment to ensure General Government Sector staffing remains at a sustainable level is part of the broader effort to create and support a smaller, smarter, and more productive, sustainable government sector.

Successive Governments have not forecast staffing levels more than one year ahead, because outcomes in later years will be heavily dependent on emerging policy decisions and changing business needs, particularly towards the later part of the forward estimates. Further, the heads of agencies have flexibility to determine how to allocate their departmental funding between staffing and supplier expenses, based on a range of factors, including efficiency opportunities, outsourcing decisions, movement of staff between classifications and enterprise bargaining outcomes.