



**Australian Government**

**Department of Social Services**

# ***Senate inquiry into the *National Disability Insurance Scheme Savings Fund Special Account Bill 2016****

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Department of Social Services

Submission to the Senate Community Affairs Legislation Committee

October 2016

## Introduction

This submission by the Department of Social Services (DSS) provides information on the proposed National Disability Insurance Scheme (NDIS) Savings Fund Special Account (the account).

DSS considers establishing the account would provide: a) additional surety that the NDIS is adequately funded; b) improved transparency of Commonwealth funding for the Scheme; and c) a dedicated standing appropriation to assist the Commonwealth meet the Scheme's funding needs.

## NDIS Funding

The NDIS is funded by a complex arrangement of revenue sources, as a result of jurisdictions gradually transitioning their specialist disability service systems to the Scheme and four different Commonwealth funding sources. Using 2019-20 as an example, Commonwealth funding for the NDIS will come from:

1. existing funding from the Commonwealth specialist disability programmes transitioning to the NDIS (\$1.1 billion);
2. existing funding provided to the States and Territories (states) under the National Disability Agreement and 2011 National Health Reform Agreement (\$1.8 billion);
3. an increase in the Medicare Levy by 0.5 per cent, which will provide funding to the NDIS via the DisabilityCare Australia Fund (DCAF) (\$3.9 billion); and
4. funding from consolidated revenue (\$4.4 billion).

The above funding profile means there is a \$4.4 billion requirement that is not directly funded in the NDIS's first year of full scheme (2019-20). In other words, the NDIS would not be fully funded from revenue sources with the sole purpose of implementing the Scheme.

As at the 2016-17 Budget, the funding requirement is \$4.4 billion in 2019-20, rising to almost \$7 billion by 2023-24 as the NDIS matures. There is no funding requirement until 2019-20 because the accumulated revenue from the increased Medicare Levy, combined with the redirected existing disability expenditure, is estimated to be higher than the Commonwealth's required NDIS contribution in the short term, as outlined in Table 1 below.

**Table 1: Commonwealth funding streams for the NDIS<sup>1</sup>**

As at Budget 2016-17	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Commonwealth Contributions (\$b)	8.8	11.2	12.1	12.9	13.6	14.3
- Existing Commonwealth Programmes (\$b)	-0.7	-1.1	-1.2	-1.2	-1.2	-1.2
- Existing Commonwealth Grants to States (\$b)	-1.5	-1.8	-1.9	-1.8	-1.9	-1.9
- Payments from DCAF (\$b)	-6.5	-3.9	-3.6	-3.8	-4.0	-4.3
General Consolidated Revenue (\$b)	-	4.4	5.4	6.1	6.6	6.9

In the 2016-17 Budget, the Government proposed establishing the account to provide a dedicated mechanism to specifically allocate funding within consolidated revenue, for the sole purpose of funding the Commonwealth's contribution to the NDIS that is not covered by existing funding sources. In addition, the Government proposed that \$2.3 billion over the forward

<sup>1</sup> The figures in this table are rounded.

estimates be credited to the account in order to reduce the Scheme's future funding requirement.

The balance of the account will be recorded separately in future budget papers to improve the transparency of Commonwealth funding for the NDIS. This will help provide confidence for people with disability, and their families and carers, that the Commonwealth is committed to the NDIS through strengthened budgetary arrangements.

In the 2013-14 Budget, a range of savings were announced to offset the cost of the NDIS; however, these savings were not quarantined for the specific purpose of funding the Scheme.

It is anticipated that, as the Government identifies additional savings, the balance of the account would be increased to the point at which there may not be any further funding requirement. Funding could only be withdrawn, for non-NDIS related purposes, if the balance of the account exceeded future NDIS funding requirements. That is, the funds in the account would be used to meet the funding requirements of the NDIS and, in the event there are surplus funds exceeding the NDIS's future funding requirements, these surplus funds would be freed up for purposes other than the NDIS.

## **Managing the NDIS Savings Fund Special Account**

The Government will determine the amount of funding to be credited into the account, and funding will be sourced from savings identified in the Social Services and other portfolios. The account will be credited through a determination by the Minister for Social Services in line with Government decisions.

The 2016-17 Budget identified \$2.3 billion in savings to be credited to the account over the forward estimates. The amount includes \$711.2 million as a result of revised NDIS transition assumptions arising from bilateral agreements for the transition to full scheme period and around \$1.6 billion in savings to social security payments – noting that legislation on several of the savings proposals are subject to ongoing consideration by the Parliament<sup>2</sup>. Funding would only be formally credited to the account once any associated legislative processes are complete.

These savings, when credited to the account, would be the first step in reducing the NDIS funding requirement. In addition, any underspends incurred by the NDIS will be credited to the account and available to be reinvested into the NDIS should this be required. Over time, it is anticipated the Government will make further savings decisions in order to increase the balance of the account.

Once Commonwealth expenditure on the NDIS reaches a point where the increased Medicare Levy revenue, and redirected existing disability expenditure are exhausted, the Minister for Social Services, through DSS, would debit the account up to the amount required to fund the NDIS for the relevant financial year. This funding would then be provided to the National Disability Insurance Agency (NDIA) to administer the NDIS. At the end of each financial year, any undrawn funding in the account would be rolled over into future years, in line with the standard operation of special accounts.

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<sup>2</sup> For example, changes to the Clean Energy Supplement savings measure announced in the 2016-17 Budget.

## **Financial Management of the NDIS**

The NDIA currently receives the Commonwealth's contribution to the NDIS via ordinary annual services (or supply bills), which require an Act of Parliament. This provides the Commonwealth with a measure of financial control over the NDIA's financial resources, but also constrains the Commonwealth's ability to respond quickly should the NDIS incur unexpected financial pressures.

While evidence from the trial period indicates the NDIS remains within budget estimates, there is still a degree of uncertainty and risk that naturally stems from a demand-driven, entitlement-based program, as the NDIS scales up from 35,000 participants to around 460,000 participants by 2019-20. The account will provide the Commonwealth with a standing appropriation that can be used to meet any urgent NDIS funding needs, should these occur. This enhanced flexibility would be valuable as the NDIS is established. The review of the legislation in 2026-2027 could consider if this enhanced flexibility remained necessary.

The account is distinct from DCAF, which holds revenue from the increased Medicare Levy on behalf of the Commonwealth and the states. A separate account is proposed because:

- a) crediting DCAF with revenue sources other than the increased Medicare Levy would distort the original purpose of that Fund; and
- b) the purpose of this specific account is to address a proportion of the Commonwealth's funding obligations for the NDIS, not a proportion of both Commonwealth and state obligations.