



wacoss

Western Australian
Council of Social Service Inc

**Member's Briefing
2014-15 State & Federal Budgets**

Outline

WA Budget Narrative

Govt's narrative - Achieved? Desirable? Our narrative..

WA Budget Overview

Numbers of interest, implications for community & services

Key Issues

Cost of Living, Social Services, Housing, Service Sustainability

Federal Budget Overview

Narrative, Cuts, Implications



“A little pain for everyone” – Colin Barnett

- **Restore WA’s triple A credit rating**
(i) insecure revenue stream (ii) live within means (iii) state debt
- **Ensure a surplus**
- **Address the structural deficit**
i.e. the growing gap between Revenue vs Expenditure

> A Book-keepers Budget



WA Budget Narrative: **Achieved?**

“A little pain for everyone?”

... or low-income households really hurting?

- **Restore WA’s triple A credit rating?**
 - (i) revenue still volatile – not diversified, relying on GST changes..*
 - (ii) reduced expenditure, but still growing..*
 - (iii) state debt to be addressed by asset sales..*
- **Ensure a surplus**
 - “wafer thin” – plus note revenue volatility..*
- **Address the structural deficit**
 - More needed to resolve structural deficit in out years*
 - Growth areas, esp. health and education..*



WA Budget **Overview**

- **Surplus: \$175m in 2014-15, \$5m in 2015-16**
- **Revenue: \$28.68b in 2014-15 (+2.6%)**
- **Expenditure: \$28.5b in 2014-15 (+2.6%)**
- **State Debt: \$24.9b in 2014-15, \$29.4 in 2017-18**
- **Asset investment program: \$6.73b in 2014-15**



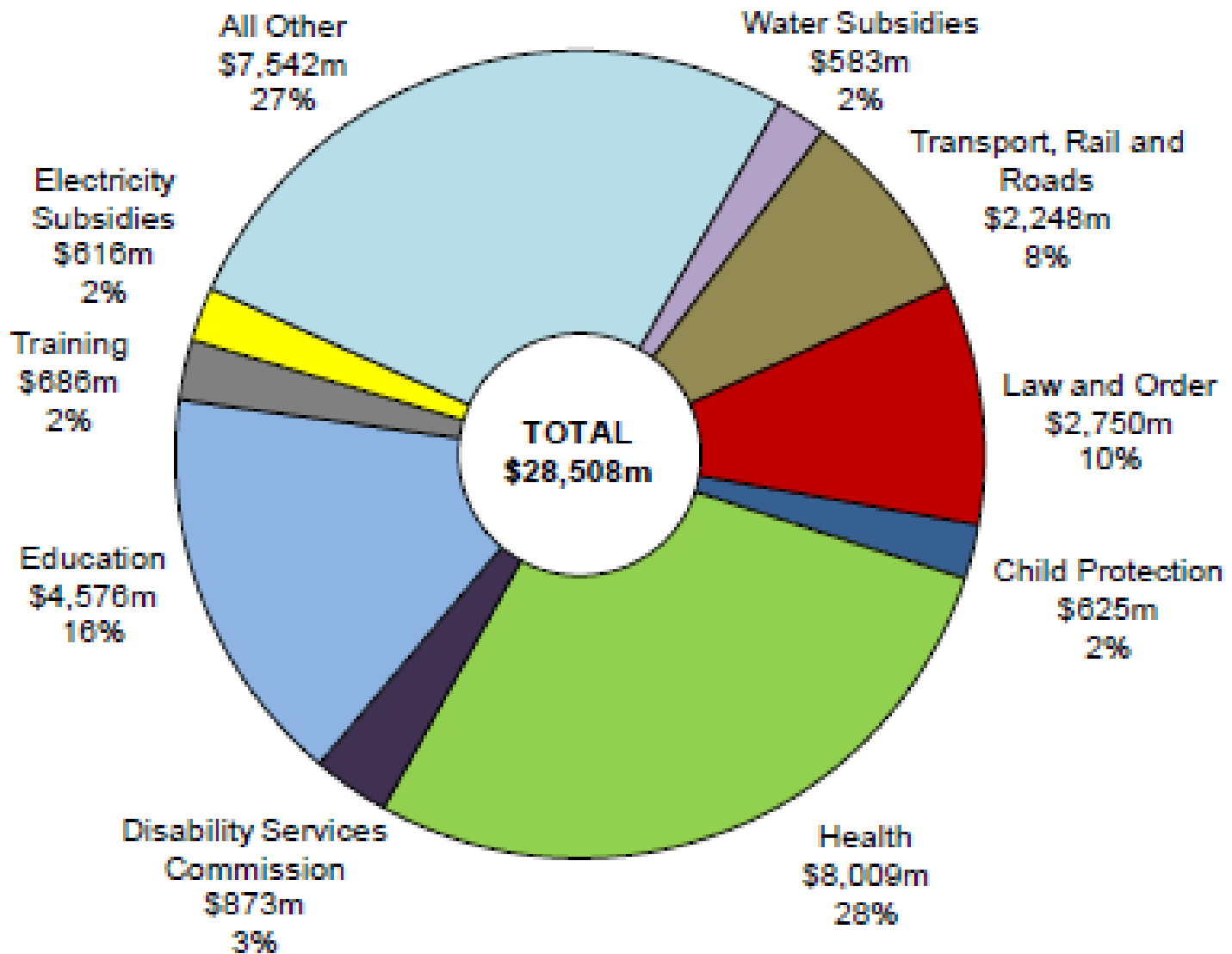
WA Budget Narrative: **Our Priorities**

Themes:

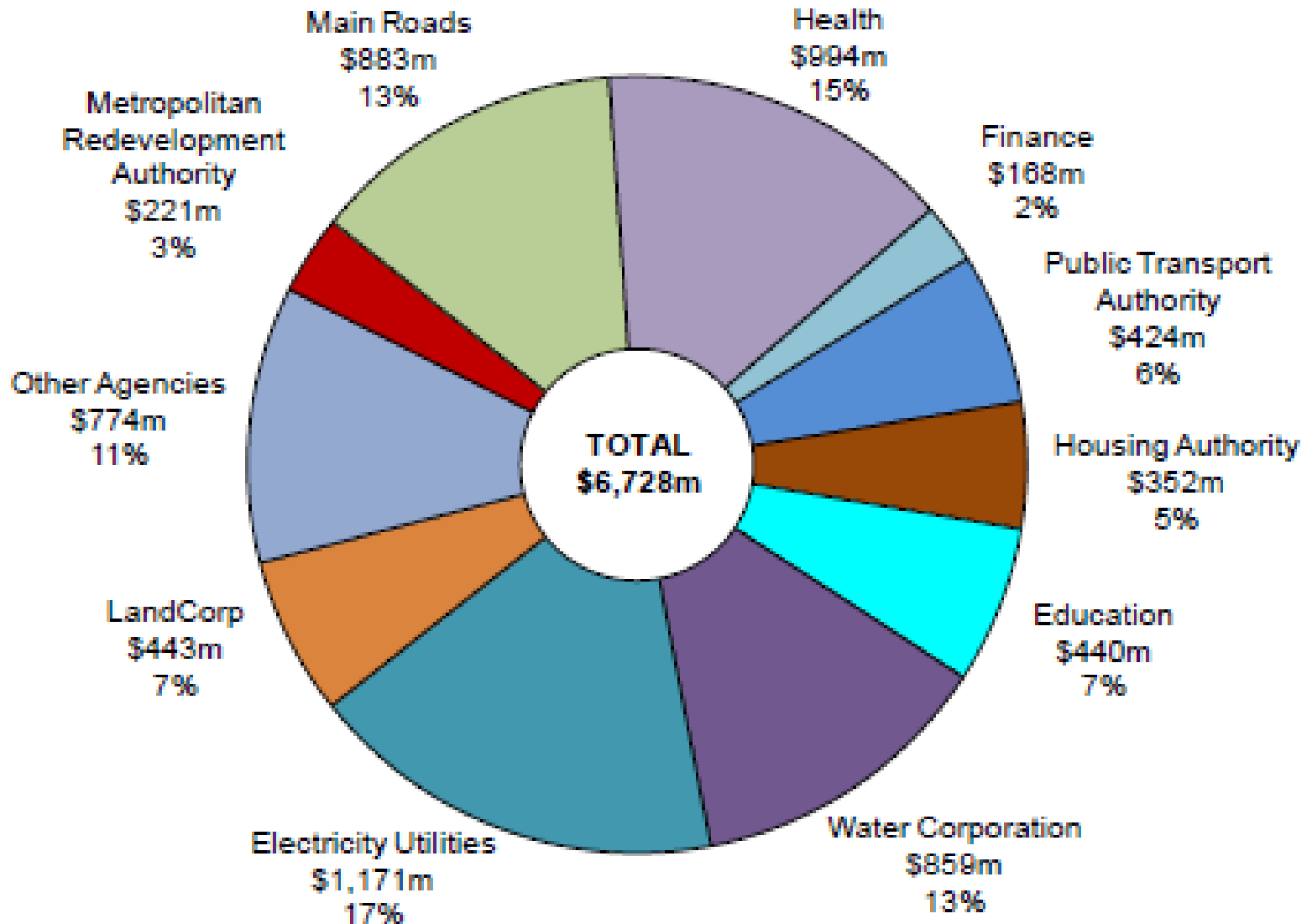
- **Prevention & early intervention**
... vs more \$ crisis services
- **Prioritise those with greatest need**
- **Need for strategic frameworks**
- **Where are budget drivers for reforms?**
partnership, service integration, outcome based approaches, person-centred services, service-user empowerment ...?
- **New service growth in Public vs Community sector?**



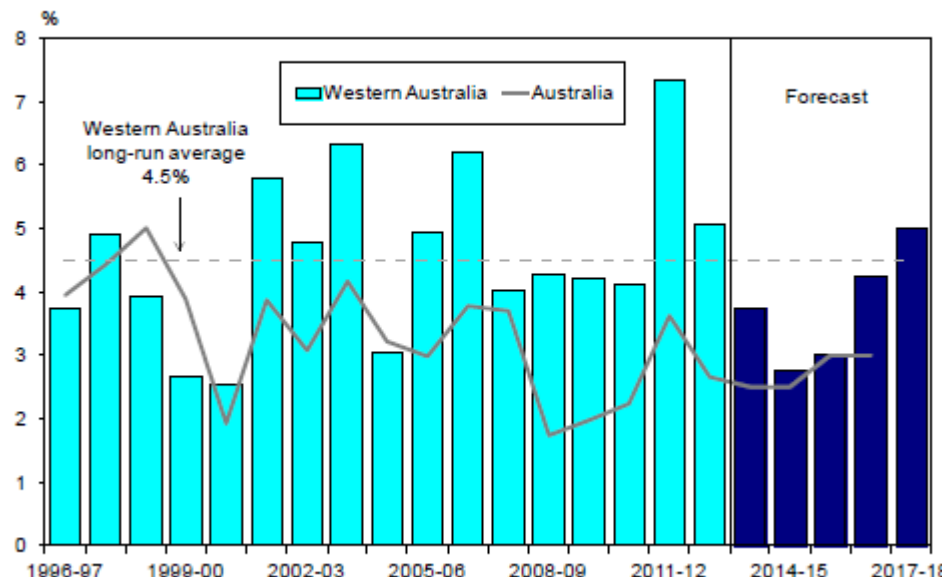
GENERAL GOVERNMENT EXPENSES 2014-15



ASSET INVESTMENT PROGRAM 2014-15

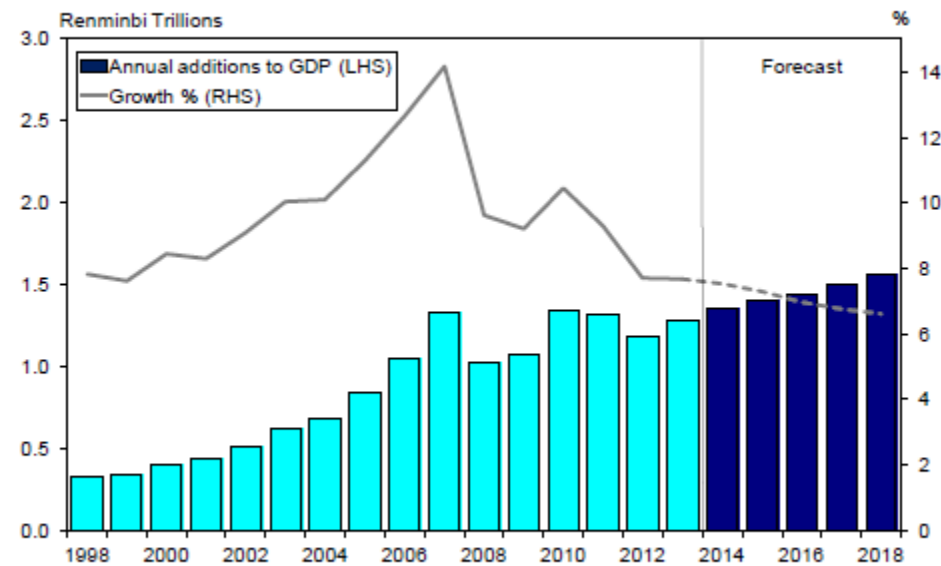


ECONOMIC GROWTH
Gross State Product, Western Australia



Source: Australian Bureau of Statistics (ABS) Catalogue 5220.0, Department of Treasury and Commonwealth Treasury 2013-14 Mid-Year Economic and Fiscal Outlook.

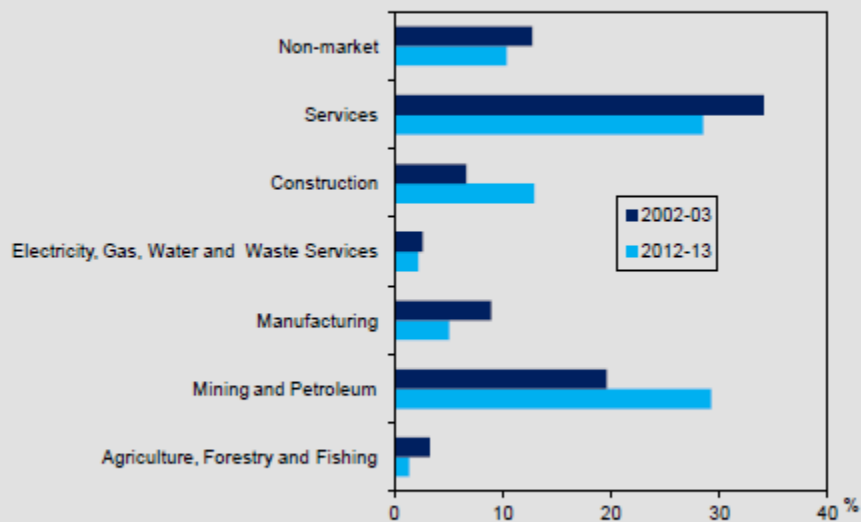
CHINESE REAL GROSS DOMESTIC PRODUCT
Annual Change



Source: IMF and Department of Treasury.

Figure 9

SHARES OF GROSS STATE PRODUCT BY INDUSTRY ^(a) Western Australia, Nominal

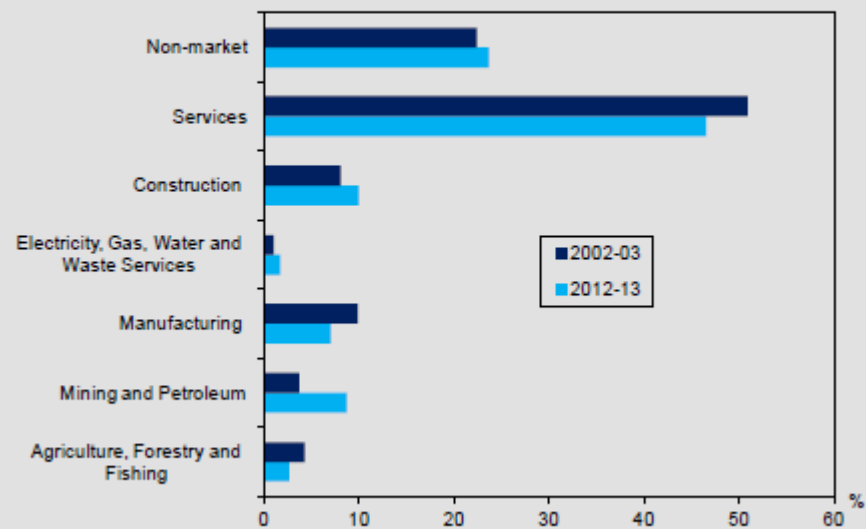


(a) The 'non-market' sector comprises those sectors whose outputs are predominantly supplied by the public sector (e.g. public administration and safety, health care and social assistance, and education and training).

Source: ABS Catalogue 5220.0.

Figure 10

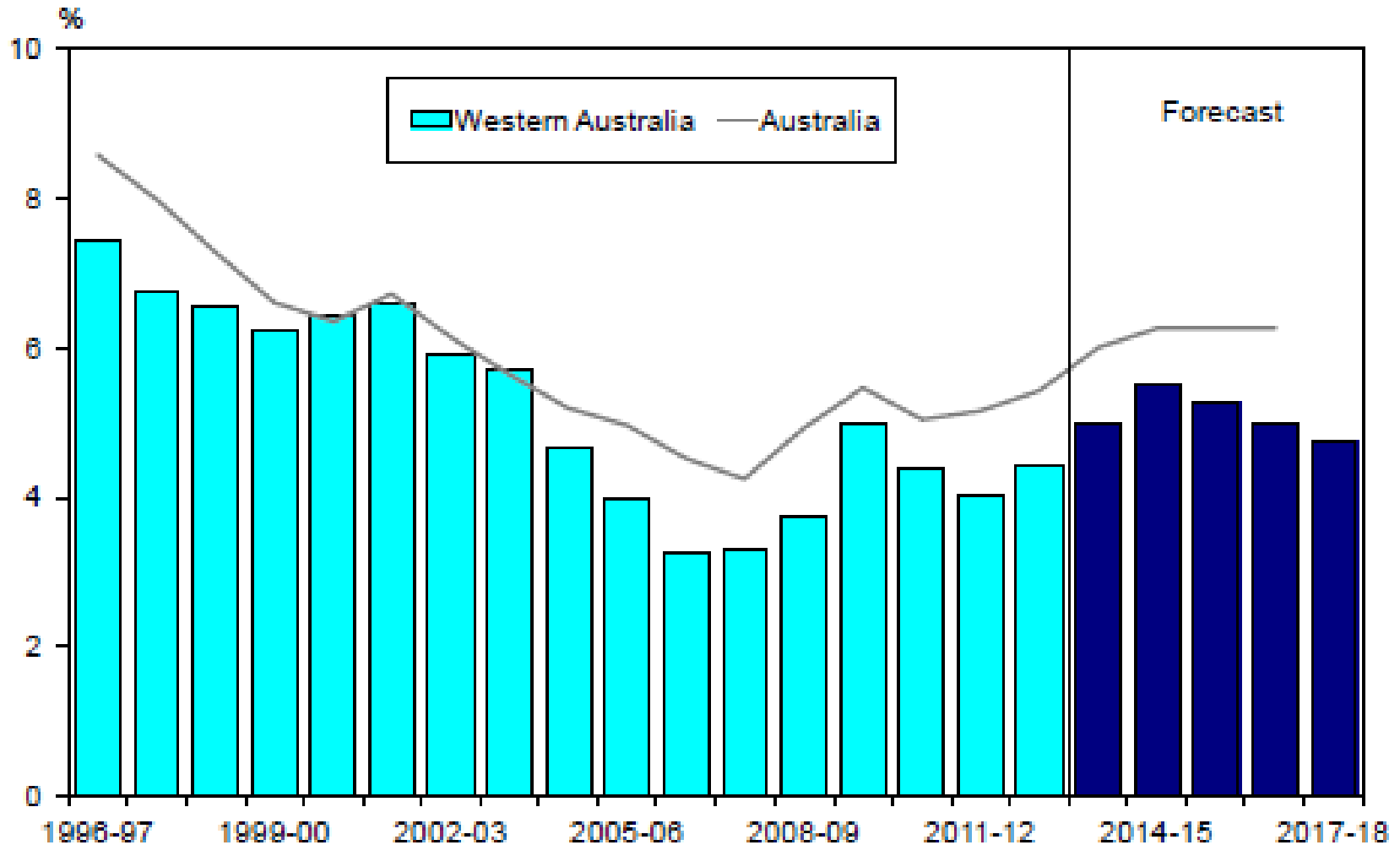
EMPLOYMENT SHARE BY INDUSTRY Western Australia



Source: ABS Catalogue 6291.0.55.003.

UNEMPLOYMENT RATE

Western Australia, Annual Average Rate



Source: ABS Catalogue 6202.0, Department of Treasury and Commonwealth Treasury 2013-14 Mid-year Economic and Fiscal Outlook.

WA Budget - **Key Issues**

KEY ISSUES:

- **Cost of Living**
- **Social Services**
- **Housing**
- **Service Sustainability**



Household Fees and Charges

	Increase	Average household annual cost
Electricity	4.5%	\$62.88
Water	6%	\$84.41
Transport	4%	\$91.00
Motor vehicle registration	3%	\$9.08
Total	6.6%	\$324.00
Public housing rent	\$12/week (avg)	\$624
Total for Public Housing tenants		\$948



WA Budget – Cost of Living

- **CPI increase = 2.5%** *Broken promise on fees & tariffs?*

Water 6% Electricity 4.5% Transport 4%

“A little bit tougher for everyone?”

- *Impacts most on low income households*

- **Public Housing Rent increase**

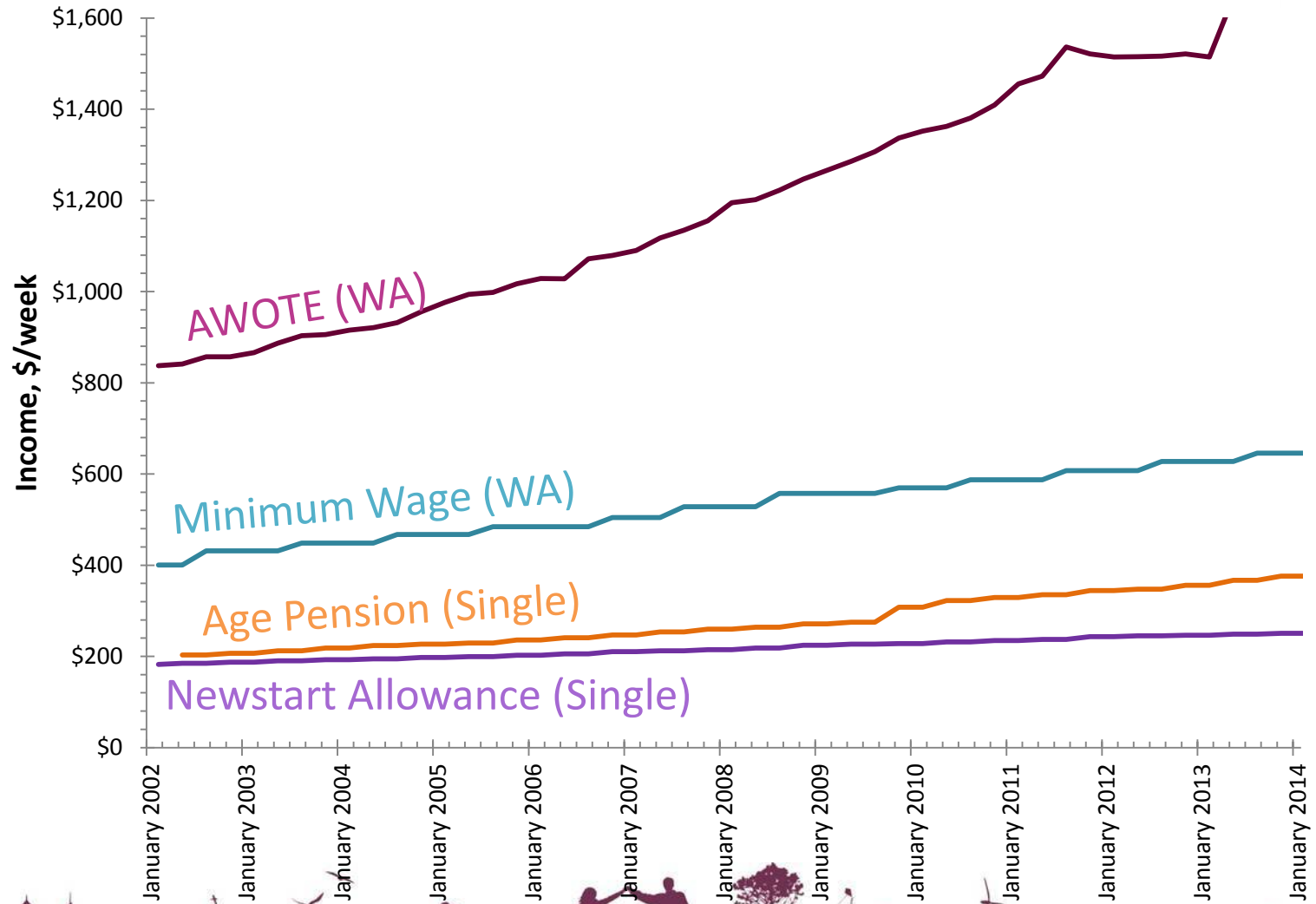
On average \$12 per week (\$624 per year)

Most tenants on income support – no real increase in income for over a decade (extra \$948/yr costs)

- **No funding for consumer advocacy & research**



WA Budget – Diverging Incomes



WA Budget – Cost of Living ...

- **Concessions increase?**

4.5% & 6% tariffs = \$147 ... 4.5% CoLA = \$9

- **HUGS changes**

*Restrict financial counselling to 20% - rationale?
Lack of data, analysis, independent review..*

- **Concessions review**

*Announced ... but no details. How to engage?
Focus on rationalisation?*

Principles – adequate, appropriate, accessible



Federal Budget – Cost of Living ...

Federal Budget adds additional cost pressures for people on low and fixed incomes already struggling to make ends meet.

- **\$7 Medicare co-payment**
- **\$5 PBS medicines**
- **Reduce indexation for sole parents from 1/7/14;**
Reduce indexation for pensioners from 1/9/17



WA Budget – Social Services

- **Child Protection & Family Support**
*+\$90m/4yrs – to meet growth in kids in care
58 child protection staff– in public service, not CS*
- **Disability Services Commission**
*+\$80m/4yrs - \$58m/2yrs NDIS trial sites
'in principle' - no fault motor vehicle insurance*
- **Mental Health Commission (& AOD)**
*+\$154m/5yrs – growth in hospital based services
+\$29m/3yrs specialist Aboriginal MH services
+\$5.2m/4yrs AOD facility north metro*



WA Budget – Social Services...

Other Issues:

- **CARE Schools** (Curriculum and Re-Engagement)
+\$3m / 3 yrs, shared across all – new & existing
- **Child Health Nurses** - *no explanation about the remaining \$40 million in this year's Budget*
- **DLGC** – *significant cut to grant funding*
- **EOC** - *budget significantly reduced*
- **CCYP** – *no reference to Review; budget maintained*



WA Budget – Social Services...

Other Issues:

- **Mental Health Court**
\$637k in 2014-15, then review
- **Suicide Prevention Strategy**
\$3m in 2014-15, then review
- **Youth at Risk - DCS**
\$2m innovative diversion & wrap around services
\$800k - office establishment & refurbishment
- **Prison Expansions**
Eastern Goldfields 250 beds, Acacia 387 beds..



Housing – The Context

Number One Priority

Housing and Homelessness has been our number one PBS priority and remains the most pressing concern in our community consultations.

Market Failure

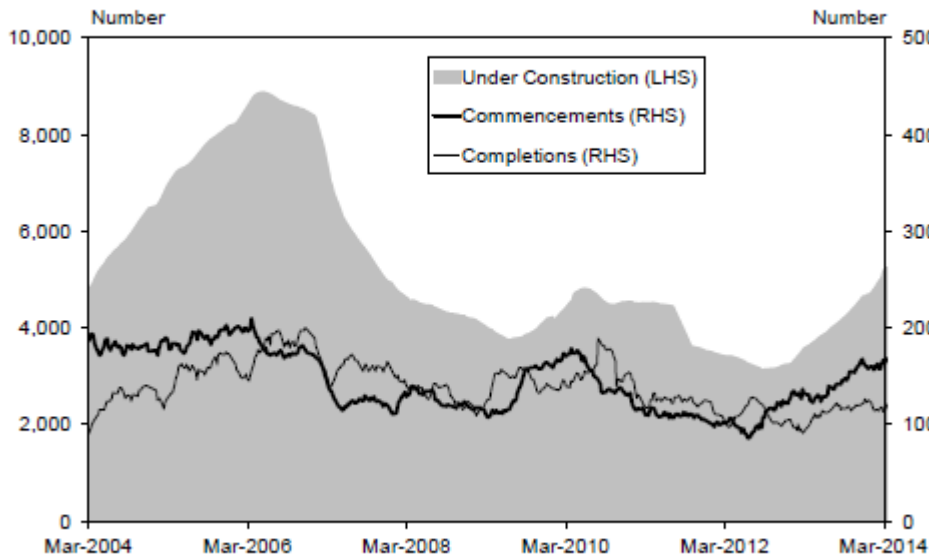
... to deliver affordable properties for those on lower incomes. Limits housing options for those needing affordable rental, transitioning out of social housing or crisis accommodation ... further increases pressure on public housing and the prevalence of homelessness.

*But ... no major new expenditure, initiatives
or strategy for housing in WA Budget*

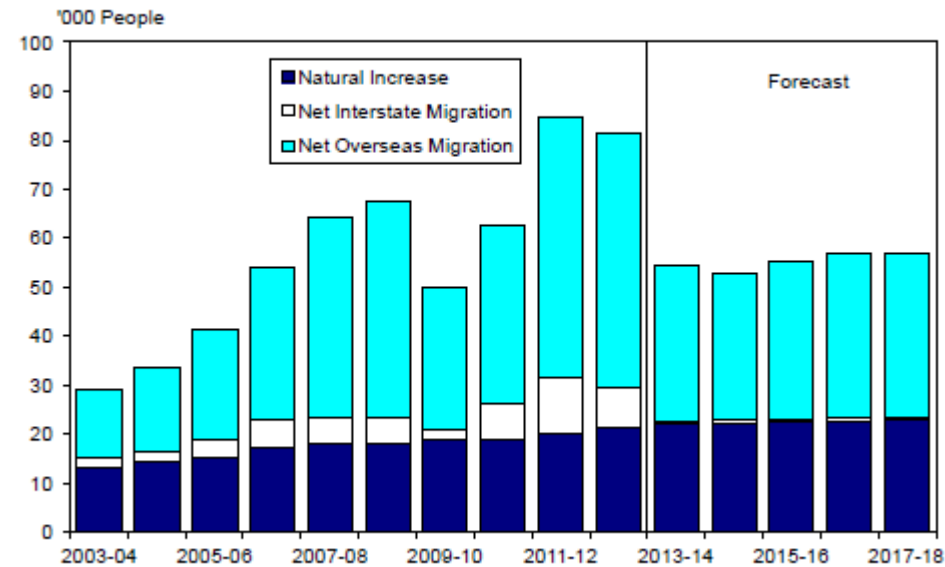


Housing Construction vs. Population

HOUSING CONSTRUCTION
Western Australia, 12 Week Average



COMPONENTS OF POPULATION GROWTH
Western Australia, Additions/Subtractions to Growth

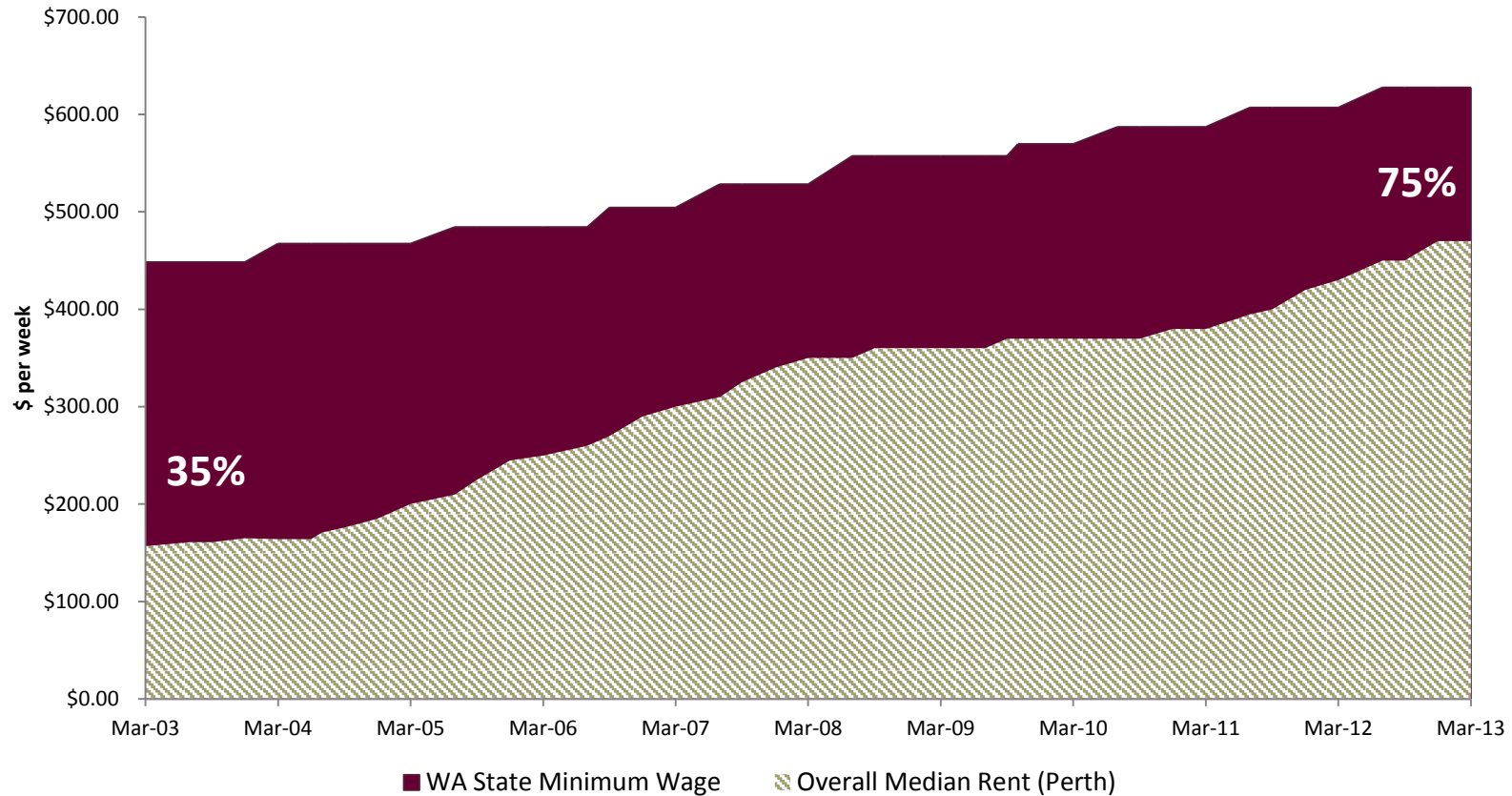


Source: Housing Industry Association, Weekly Trends.

Source: ABS Catalogue 3101.0 and Department of Treasury.



State Minimum Wage vs. Median Rent



Source: WACOSS 2013 Cost of Living Report



WA Budget – Housing Investment

- **\$3.4m Mental Health Commission client housing**
- **\$6.3m for Homeless programs (NPAH & NAHA)**
- **\$15m Remote Area Assistance Program**
- **\$33m W. Kimberley Transitional Housing Program**
- **\$355m /7 yrs RfR Housing for Workers Program ...**
Ongoing program - actually a \$17.6 million reduction.



WA Budget – Housing Issues

Gap in any new Housing Affordability Initiatives

There have been no new significant initiatives in this Budget to address the state's housing affordability crisis.

Increasing Public Housing Rents

*Av. \$12/wk (\$624/yr) increase for FTB-B families only (max. 25% income)
For these households the Budget impact is around +\$950/year.*

National Partnership Agreement on Homelessness

Although there is has been additional spending of approximately \$6.3million committed to in this budget for the NPAH, there is no funding included in the forward estimates.

Stamp Duty Concession Changes

A reduction in the transfer duty (stamp duty) exemption threshold for first home buyers of established properties from the current threshold of \$500,000 to \$430,000.



Commonwealth Budget – Housing

Abolition of the National Rental Affordability Scheme (NRAS)

- A blow to the provision of affordable housing in Australia...
- *“Increasing housing affordability in Australia requires a range of complementary measures, together with commitment from industry and all levels of government. NRAS is a vital piece of the jigsaw – one that we can’t afford to lose.” Green Building Council of Australia – Robin Mellon*

Housing Programs Review

- *A major review of the role of the Commonwealth in housing is expected in the second half of the year.*
- *Hope the review takes seriously the critical role the Federal Government plays in determining the settings (policy and tax) that can increase affordable housing supply.*



WA Budget – Sustainable Services...

- **Fiscal Action Plan 2013-14** (*proposed \$350m*)
Program Evaluation Unit in DPC
No outcomes listed (..are cuts made built in?)
- **WACOSS Principles:**
 - Evidence base
 - Collaborative process
 - Responsible transition
 - Net growth to meet demand*
- **NGHSS Indexation**
- **FWA & WAIRC wage cases**
- **Component 2 roll-out**



Regional Services

- **Royalties for Regions**

Annual cap on RfR of \$1 billion

- **Regional Blueprints**

Focus on economic development

Impacts?

Harder to access RfR \$ for social services



WA Budget – Sustainable Services...

- **National Partnership Agreements**

The Future of NPAs is uncertain...

Being rolled up:

- NPA for Improving Public Hospital Services
- NPA Indigenous Early Childhood Development
- National Rental Affordability Scheme ...

Ongoing?

- **NPA Homelessness - 1 year rollover**
- **National Affordable Housing Agreement**
Some money for ongoing services in State Budget
Review of NAHA and NRAS



Federal Budget Narrative ...

“A Budget Emergency” – Tony Abbott

“The End of the Age of Entitlement” – Joe Hockey

- **Commission of Audit**

Focus on spending, not on revenue

Blind spot = tax expenditures \$100b (Super concessions \$32b)

Cuts to family payments, welfare, retirement age, minimum wage...

- **Budget Cuts**

Undermine safety net in health, disability support, income support, community services and housing.

- **Smaller Govt. / ‘Re-federation’**

More responsibility to States, on housing, education and hospitals



Federal Budget: **Our Priorities**

Budget Challenge

- *To target spending where most needed*
- *To secure a sustainable revenue base*
- *To achieve greater fairness in the tax system*

Opportunities Missed

- *Company tax entitlements and superannuation concessions*
- *Income testing at top end still very generous*

Welcome

- *Some rational targeting of FBT A and B, Seniors supplement removal/means tested, income test for seniors card*
- *Childcare community support program and Communities for Children, Family and Relationship Services and Family Law Services*
- *NDIS funding meeting commitment*
- *Headspace funding*



Federal Budget Narrative: **Analysis**

Economic Headlines:

- *Budget deficit of \$29.8b for this coming financial year
Forecasts continued deficits for the next four years, before returning to a balanced budget in 2018-19, with a projected surplus of ~ 1% of GDP by 2024-25.*
- *The total deficit will be \$60b over the four years to 2017-18 – compared to the MYEFO forecast deficit of \$104b.*
- *Attempts to restructure economic reliance on mining through investment in a new infrastructure package (roads), the new Medical Research Future Fund (6 years to reach full funding) and reforms to tertiary education.*
- *Little real tax reform, only a temporary increase to >\$180,000, cuts to carbon and mining tax*



Federal Budget Narrative: **Analysis**

Context: Pessimistic and volatile

- *Forecasts slightly below trend growth for the Australian economy.*
- *Expects higher unemployment 6.25% in 2014-15 and 2015-16, but to fall slightly in subsequent years Weak business investment, particularly in the resources sector.*
- *Real GDP is estimated to grow by 2.5% in 2014-15, gradually increasing to 3.5% in 2017-18.*
- *Exports are expected to grow at 5.5% in 2014-15. Stronger growth of 7% is predicted for 2015-16 (reflects resources sector shift from construction to production) Imports are forecast to grow by 2% in 2014-15 and by 2.5% in 2015-16.*
- *Inflation is forecast at 2.25% in 2014-15 and projected at 2.5% over the forward estimates to 2017-18.*



Federal Budget Narrative: **Analysis**

Cuts to Programs and Services

- *The single biggest “saving” is from reducing **foreign aid** - \$7.6bn*
- ***Emergency Relief and Financial Counselling** (unclear)
As part of savings in DSS discretionary grants (\$240m + \$165m
indexation freeze = **\$405m savings**)*
- ***National Rental Affordability Scheme** reduction (Round 5)*
- ***NAHA and NPA Homeless** funding beyond 2014-15 (no guarantee)*
- ***Youth Connections Program** cut*
- ***National Respite Carers Program** cut*
- *Replace **ACNC** with ATO as sector regulator*
- *Rationalisation of **Aboriginal services/programs** including Congress
(saving ~\$150m/yr)*
- *\$43.5m / 4 years from cuts to the base funding of **the ABC and SBS**,
cut ABC's \$220 million Asia Pacific television service, Australia Network*



Effects on Families

- *Family Tax Benefit Part B (FTB-B) will be cut for families when their youngest child turns six (currently ~ 60% of families with children < 16 receive the payment, saving **\$1.9 billion** over five years) and for families with the main income earner > \$100,000, down from the upper income threshold at \$150,000.*
- *FTB-B Sole parents get a supplement 5-12yo per child payment, replaces per family payment, worse off unless 5 or more children (2015)*
- *Reduced FTB supplements: A from \$726 to \$600 and B from \$354 to \$300*
- *All Family Tax Benefit payments will be **frozen at current rates** for two years, saving the Government **\$2.6 billion** over four years.*



Effects on Seniors:

- *Shift aged pension to 70 by 2035 and cut by linking to CPI rather than wage prices*
- ***\$1.7 billion cut** over six years - by almost halving its expenditure on the Commonwealth Home Support Program.*
- ***Cut Pensioner Education Supplement**, for a saving of \$281 million*
- *Cut the pilot of **Supporting Senior Australians: Housing Help For Seniors**, a \$173 m program designed to encourage downsizing.*
- *New **Restart Program** - \$10,000 bonus for hiring over-50s who have been on unemployment benefits or the DSP for more than six months.*



Federal Budget Narrative: **Analysis**

Funding for Indigenous Programs

The 2014-15 Budget invests \$4.8 billion to replace over 150 individual programs and services with five streamlined broad-based programs under an Indigenous Advancement Strategy – in net terms a funding cut of \$165m in first year, ~\$500m by 2018

The five new streams are:

- Jobs, land and economy
- Children and schooling
- Safety and wellbeing
- Culture and capability
- Remote Australia strategies



Effects on State:

- State and territory based seniors' concessions reduced, saving \$1.3 billion
- More reductions to GST returns,
down 9.2% to 37.6c/\$1
- Reduced contributions to the states for hospitals and schools – unclear timing (*WA -\$8B / 10 yrs*)
- Likely a bargaining point as part of the proposed White Paper on the Reform of the Federation, and changes to the GST.



Who's feeling the pain?

- *People living on low-incomes*
- *Young people*
- *Single parents*
- *The sick & the elderly*
- *People with disabilities*

Where's the burden?

- *\$7 Medicare Co-payment - Discourage access to primary care, increase chronic health problems, Fastest cost growth in hospitals, ER + PBS \$5 increase per script*
- *Cutting income support, especially for young people and the DSP
Changes to NewStart, Youth Allowance and work for the dole...*
- *Freezing income support indexation for Parenting Payment Single*
- *Fuel excise*

