2017-18 Federal Budget Summary Analysis

for the UnitingCare network

UnitingCare Australia
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UnitingCare Australia is the national body for social services in the Uniting Church in Australia, supporting service delivery and advocacy for children, young people, families, people with disabilities, and older people.

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INTRODUCTION

Dear Colleagues and Friends

This document provides a snapshot of the key outcomes of the 2017 Budget that are important to our network and the people we serve.

As we know, the budget is more than an economic statement, it is a social compact and outlines the government's priorities and vision for the nation.

Our broad reaction to the budget is contained in the attached media release.

While having some very positive investments in areas such as the NDIS, Indigenous programs and psychosocial supports for people with mental ill health, this budget has unfairly targeted the vulnerable and unemployed and imposed harsh punishments and compliance measures that are unfair and unnecessary.

We have highlighted in this document both the positives and our concerns for each major area of our work across the network and especially the areas for which we continue to advocate.

Our staff will continue analysis of the budget detail over the coming days and communicate within their specific networks as required. I invite you to contact us if you have any concerns or would like to discuss particular budget outcomes.

With best wishes

Claerwen Little
National Director

Budget Overview

The Budget includes a number of positive initiatives aimed at improving health and disability services but these benefits are accompanied by welfare changes that harshly target young job seekers.

Having nominated improving fairness as a key aim of the Budget the Government has failed the many disadvantaged Australians that will suffer as a result of the new compliance measures to be imposed on job seekers. As such the Budget only reinforces the inequalities that exist between those in and out of the workforce.

The positive initiatives include:
- Committing to fully funding the NDIS through an increase to the Medicare levy, while protecting low-income earners;
- Removing the freeze on the indexation of Medicare Benefits for GP visits, which will reduce out of pocket medical expenses for families;
- Funding the establishment of the Commonwealth Redress Scheme for survivors of child sexual abuse in institutions;
- Providing $375m over three years for services to address homelessness;
- Providing for modest increases palliative care, mental health and dental care services;
- Supporting the development of social impact investments as a means of funding innovative social services;
- Expanding the delivery of employment programs aimed at parents with young children, indigenous job seekers and older Australians.

Unfortunately, while the Government has provided these benefits to the wider community it has also decided to specifically target young job seekers as a group that is not worthy of support.

Under the welfare changes announced in the Budget from September 2018 job seekers face the loss of benefits under a system of demerit points and ‘three strikes and you’re out’. These could culminate in someone being denied four weeks of benefit payments. The language used has the effect of criminalising the unemployed who will also be subjected to random drug testing.

The Government estimates that 80,000 job seekers will suffer financial penalties as a result of these changes every year, and that the compliance measures will net the Government a saving of $632m over five years.

While arguing the need for these harsh measures the Government is projecting that unemployment levels will remain stable at 5.5% over the next 2-3 years.

The many positive measures included in the Budget are tarnished by such a blatant attempt to single out a disadvantaged and vulnerable cohort.

More broadly the Budget also lays to rest the ‘zombie’ measures of previous Budgets that have failed to pass the Senate which total $17.3 billion over five years.

AT A GLANCE

The Budget projects that the economy will grow strongly over the next three years, seeing the Commonwealth return to a surplus in 2020-21.

Projected growth of major economic parameters:

	2017-18	*2018-19*	*2019-20*	*2020-21*
GDP	2.75%	3.0%	3.0%	3.0%
Unemployment	5.75%	5.5%	5.5%	5.25%
CPI	2.0%	2.25%	2.5%	2.5%

Aged Care Services

- The sector has been spared any significant changes, with only $5m in additional funding for the development of a workforce strategy and resources for My Aged Care.

Children Services

- The National Partnership Agreement on Universal Access to Early Childhood Education has been extended to 2019, at a cost of $429.4m.
- A saving of $251.5m over two years will be achieved by tightening eligibility for child care fee assistance in family day care.
- From 2018-19 an upper income threshold will apply to Child Care Subsidy, saving $119m over three years.
- $61.8m a year will be redirected to the Budget Based Funded Program targeting regional, remote and ATSI communities.
- A trial to improve English literacy outcomes amongst ATSI children in preschool, costing $5.9m over four years.

Disability Services

- An increase to the Medicare levy from 2.0% to 2.5% from 1 July 2019 will ensure the National Disability Insurance Scheme is fully funded when it reaches full scheme.
- The NDIS Quality and Safeguards Commission will be established from 1 January 2018 at a cost of $209m over four years.
- A workforce initiative will support disability and aged care service providers in regional areas to grow their workforce ($33m).
- $24.0m in funding will be provided to implement a new framework and funding model for Disability Employment Services from 1 July 2018.

Employment and Workforce

- The 2017-18 Budget introduces a number of punitive measures targeting young job seekers who demonstrate ‘deliberate non-compliance’.
- These measures include the introduction of a ‘three-strike’ Intensive Compliance Phase in which they will face escalating penalties for non-compliance.
- No indication is provided of supports available for people who have had their payments cancelled for four weeks following their third strike.

Health services

- There are a series of measures under the banner ‘Guaranteeing Medicare’ that deliver additional funding across a number of areas. The most significant of these being the re-introduction of indexation for Medicare benefits for GP consultations which will cost $1.0 billion over four years.

- At home palliative care services will receive an additional $8.3m over three years.
- Four separate mental health initiatives will deliver a total of $115m additional funding over four years to provide increased research and direct supports.
- $163.6m over four years will be provided to increase the cap on benefits through the Child Dental Benefits Schedule.

<u>Housing and homelessness</u>

- Additional $375.30m for continuing the homelessness support services.
- Reducing pressure on housing affordability is a key theme for the 2017 budget.
- The measures that the Government will establish to encourage investors to provide affordable rental housing for low to moderate income renters including tax incentives and assistance to reduce borrowing costs for new housing.
- First home buyers will receive tax breaks to save for deposits, and older homeowners will benefit from incentives to downsize.

<u>Redress Scheme</u>

- The Commonwealth has allocated $33.4m in 2017-18 to establish a Redress Scheme for survivors of institutional child sexual abuse, with the Scheme to begin in July 2018.

<u>Superannuation</u>

- This Budget pitches superannuation as a key mechanism to help address Australia's housing affordability issues.
- It is not matched by any commitment to ensure that older people will have an adequate standard of living in Australia.
- Building Australians' financial literacy and their capacity to actively plan for lifetime financial independence continues to be undermined by policies that preference home ownership as a savings vehicle. This perpetuates the assumption that superannuation is not a safe or necessary mechanism to save for old age.

<u>Tax</u>

- The largest revenue gains in the budget (combined $14.4 billion) are from just two measures, the large bank levy and the increase in the Medicare levy.
- Over $2.5 billion in increased revenue will come from measures designed to catch tax evasion and tax avoidance and there is significant uncertainty that this figure can be raised by these measures.

<u>Welfare, Department of Human Services, Department of Social Services</u>

- A number of efficiency measures are included in the Budget, continuing reform of the system to facilitate people moving "off welfare and into work.
- Streamlining measures include simplification of payment structures to be consolidated and better targeted, consistent with recommendations of the 2015 McClure Welfare Reform report.

Aged Care and Ageing

Positive Measures

The Government has committed to establishing an aged care industry-led Taskforce to explore short, medium and longer term options to boost supply, address demand and improve productivity for the aged care workforce. It will also harness existing employment services to match local job seekers to local jobs.

The Budget confirms the Government's investment in the viability supplement for regional aged care facilities.

Aged Care Provider Funding - improving the targeting of the viability supplement for regional aged care facilities						
Department of Health						
Administered expenses	6.2	-	3,094	6,112	6,221	6,648
	6.3	-	9,487	20,016	21,204	22,678

This year's Budget incorporates some ambitious performance criteria which will demand consistent delivery through the My Aged Care System. We hope to see the targets for assessments met.

An additional \$3.1 million for ICT support has been allocated for the MyAgedCare platform, as part of a \$67.3 million investment in 2017–18 to modernise the health and aged care payments system. This is also aimed at ensuring the Government continues to own and operate the ICT systems that deliver Medicare, the Pharmaceutical Benefits Scheme, aged care and related payments into the future.

The Government's two-year extension to the Commonwealth Home Support Program (CHSP) and Regional Assessment Services (RAS) funding arrangements (\$5.5 billion from 2018–19) is included as a positive measure, notwithstanding the commitment to integrate the CHSP and Home Support Packages from mid-2018.

Concerns

Consultation with the sector aside, UnitingCare Australia maintains its concerns about the cuts to aged care that have been implemented in the last year, and which will continue to impact services in coming years. There has been minor re-phasing of allocations to home care over the next three years.

Commentary

The Government has ahead of it a reform agenda which will take the aged care sector towards a more consumer directed model. Establishing a sustainable funding model will be a critical element of these reforms. UnitingCare appreciates that the Government has met its undertaking to maintain funding pending the outcomes of reviews into the Aged Care Funding Instrument and the Living Longer Living Better legislation. We will continue to advocate for funding that ensures that older Australians have access to quality care and services when and where they need them, regardless of their capacity to pay.

Child Health, Wellbeing and Care

Positive Measures

- $18.6b in recurrent funding for schools for the period to 2027, as part of a "new needs-based funding model". This replaces $54.1m in 2017-18 and indexation of school funding by CPI from 2018-19, announced in the 2014-15 budget.
- $427.9m over two years from 2017-18 to extend the National Partnership Agreement on Universal Access to Early Childhood Education for the 2018 calendar year, giving more preschool children the opportunity to participate in 15 hours per week of early childhood education and care through accredited preschool programs in the year before school.
- $163.6m over five years from 1 January 2017 to return the two-year cap on benefits under the Child Dental Benefits Schedule from $700 to $1,000.
- $113.0m over four years to provide an intensive service to all ParentsNext participants in 30 locations where a high number of Parenting Payment recipients are Indigenous to increase employment rates.
- $61.8m per annum from 2017-18 from within the Community Child Care Fund to ensure continued support for the existing Budget Based Funded Program and to increase the participation of Indigenous children in early learning and care.
- $40.9m over four years from 2017-18 to continue four major Australian longitudinal studies.
- $2.5m over four years from 2017-18 to maintain the Indigenous health incentive and the procedural general practitioner payment in their current form.
- $5.9m over four years from 2017-18 to trial the use of digital applications in 20 preschools to improve English literacy among Aboriginal and Torres Strait Islander children.
- $18.8m over four years from 2017-18 to continue the Rheumatic Fever Strategy, which seeks to protect Aboriginal and Torres Strait Islander children at risk of acute rheumatic fever and rheumatic heart disease.
- $18.0m over three years from 2017-18 to continue to protect certain schools and preschools from attack, harassment or violence stemming from racial or religious intolerance

Concerns

The budget includes savings of $2 billion over five years, which will be achieved by maintaining the current Family Tax Benefit (FTB) payment rates at their current levels for two years from 1 July 2017. This was negotiated as part of the passage of the government's child care reforms through the parliament in March 2017, although the budget papers do not refer to this. The measure was criticised at the time because FTB Part A is subject to an income test, and the saving will therefore be made at the expense of poorer families. This remains a concern.

Commentary

The Budget considerably increases spending on children and young people. As we noted in our pre-budget submission, investment in children and families breaks the intergenerational cycle of welfare and prevents young people from entering the welfare system.

By far the largest component of this increase is the $18.6b over ten years for schools, dubbed "Gonski 2.0" in some sections of the media. While this has been criticised by some commentators when compared against the previous government's Gonski plan, this new funding is nevertheless it represents a significant increase against existing Commonwealth commitments, and that the Government has committed to targeting vulnerable and disadvantaged schools.

The second-largest single announcement is $427.9m to extend the National Partnership Agreement on Universal Access to Early Childhood Education for one year. The Budget papers explicitly refer to children being able to access the full 15 hours per week of early childhood education and care which we sought in our pre-budget submission, not the 12 hours discussed in parliament. We are also pleased that this increase has not been announced as tied to savings in other areas that will impact vulnerable people. The budget papers do not refer to future years.

New spending on services other than education amounts to over $450m, most of which is spread over four years.

The budget also includes several announcements specifically targeting Aboriginal and Torres Strait Islander children and parents, including support for labour market engagement, an English Literacy trial, and continuation of the Rheumatic Fever Strategy.

Other welcome measures include reversing a Ministerial announcement in late 2016 reducing the two-year cap on benefits under the Child Dental Benefits Schedule (note that our previous budget analysis identified a possible $1b decrease in funding over five years under the Child and Adult Public Dental Scheme), and continuing funding for four major longitudinal studies which are extremely valuable for understanding the experience of children and families and for modelling and planning better services.

Finally, the savings measures other than the Family Tax Benefit indexation pause do not appear to be particularly controversial. The changes to Family Day Care payments are a response to a widely-recognised problem in this sector. The restriction of Child Care Subsidy for high income earners is difficult to criticise on equity grounds. The budget papers make no reference to other elements of the Government's child care reforms, which were announced in the previous budget.

DISABILITY

POSITIVE MEASURES

- Increase the Medicare Levy by 0.5 per cent to fully fund the NDIS.
- Establish an independent NDIS Quality and Safeguards Commission.
- $24m over 4 years for a new framework and funding model for DES.
- $80m over 4 years for psychosocial support services for people with mental illness who do not qualify for the NDIS.
- $33m over 3 years to grow the NDIS and aged care workforce in rural, regional and outer suburban areas.
- A one-off Energy Assistance Payment for those on a DSP - $75 per single, $125 per couple.

CONCERNS

- The Treasurer announced in the Budget speech that welfare payments would be denied in the case of a disability caused solely by a person's own substance abuse. No further detail was available in the Budget papers.
- Saving of $119.1m over 5 years from a revision of the residency requirements for the DSP and Age Pension

COMMENTARY

The Medicare Levy will be increased by 0.5 per cent from 1 July 2019, generating an additional $9.1b revenue over the forward estimates period which will be directed to the NDIS Savings Fund to fill the gap for the Commonwealth's contribution to funding the NDIS.

Funding has been provided to establish an independent NDIS Quality and Safeguards Commission with the aim of overseeing the quality and safety of services for participants. The Commission will perform three core functions: regulation and registration of providers; complaints handling; and reviewing and reporting on restrictive practices. The Commission and the Framework have been under development for around two years, and will ensure individuals do not lose rights and protections which were provided by institutions like State and Territory Ombudsman's offices as a result of the transition to the NDIS.

The Government will provide $24m over four years from 2017-18 to implement a new framework and funding model for the Disability Employment Services (DES) program from 1 July 2018. The new DES framework aims to:

- Make it easier for DES participants to choose and change providers, with funding to follow participants.
- Provide greater incentives for providers to achieve employment outcomes for job seekers, including longer term employment outcomes and outcomes for those with significant employment barriers.

- Index provider payments from 1July 2019.
- Undertake a trial to expand DES to a broader group of school leavers with less significant disability, to assist them to successfully transition from school to work.

The Government will provide $80.0m over four years from 2017-18 for psychosocial support services for people with mental illness who do not qualify for the NDIS. It must be noted that this funding is contingent on a matching commitment from the States and Territories.

Prioritising Mental Health — Psychosocial Support Services — funding

Expense ($m)

	2016-17	2017-18	2018-19	2019-20	2020-21
Department of Health	-	7.8	23.7	24.1	24.4

Source: Budget Paper 2 p120

The Government has committed an additional $33.0m to boost the Local Care Workforce for both the NDIS and aged care. This includes helping employers grow the care workforce with a particular focus on regional, rural and outer suburban communities.

The Government will save $119.1m over five years from 2016-17 by revising the residency requirements for claimants of the Age Pension and the Disability Support Pension (DSP). From 1 July 2018, claimants will be required to have 15 years of continuous Australian residence before being eligible to receive the Age Pension or DSP unless they have either:

- 10 years continuous Australian residence, with five years of this residence being during their working life (16 years of age to Age Pension age); or
- 10 years continuous Australian residence, without having received an activity tested income support payment for a cumulative period of five years.

Existing exemptions for DSP applicants who acquire their disability in Australia will continue to apply.

The Government will provide $268.9m over two years to make a one-off Energy Assistance Payment in 2016-17 of $75 for single recipients and $125 per couple for those eligible for qualifying payments on 20 June 2017 and who are resident in Australia. Qualifying payments include the Disability Support Pension, Age Pension and the Parenting Payment Single.

Emergency Relief and Financial Counselling

Positive Measures

The Government will provide $3.4 million over two-years from 2017-2018 to expand the trial of Domestic Violence Units (DVUs) in legal centres around Australia. These provide legal assistance and advice to women who are experiencing, or at risk of, domestic and family violence. The assistance includes financial counselling, tenancy assistance, trauma counselling, emergency accommodation, family law advice and employment services. The location of DVUs will be determined on a needs-basis and in consultation with State and Territory Governments and are part of the *Women's Safety Package* announced in the 2015-16 MYEFO.

Concerns

No concerns with the measures announced.

Commentary

The continuation of funding for these services, albeit as a "trial", is welcome.

Employment

Positive measures

- Expansion of the *ParentsNext* pre-employment program, providing $263m over four years:
    - $150.1m to expand the program nationally to the 51 employment regions covered through the *jobactive* program.
    - $113m to provide intensive services to ParentsNext participants in 30 locations where a high number of Parent Payment recipients are Indigenous.

- Additional funding of $55.7m over five years for Closing the Gap employment-related services:
    - $33.2m (over five years) to deliver pre-employment training and mentoring for Indigenous participants, expanding the *Transition to Work* program to all Indigenous job seekers aged 21 years and under.
    - $17.6m (over five years) for additional employment assistance for Indigenous prisoners to assist their transition to employment from prison immediately following release.
    - $5m (over four years) towards community-designed employment services in Yarrabah, Queensland.
    - Immediate access to increase employer wage subsidies (from $6,000 to $10,000) to support Indigenous employment outcomes, to be drawn from the existing Wage Subsidies Funding Pool.

Introduction of a new Career Transition Assistance Program supported through the existing Jobactive program, to support both mature age and inexperienced job seekers into employment.

Concerns

- From 20 September 2018, introduction of a new Jobseeker Compliance Framework, involving a 'three-strike' demerit system resulting in potential suspension of payments:
    - Jobseekers will lose 50% of their fortnightly payment for their first strike without provision of a 'reasonable excuse';
    - 100% loss of fortnightly payment for their second strike; and
    - Cancellation of payment for four weeks for their third strike.
- Consolidation of seven working age payments and allowances into a new JobSeeker Payment, with tightened participatory requirements for job seekers.
- Drug testing for JobSeeker recipients, with those testing positive to be placed on the Cashless Debit Care for their welfare payments and be subjected to further tests and possible referral for treatment.

COMMENTARY

The 2017-18 Budget introduces a number of punitive measures targeting young job seekers in particular, who demonstrate 'deliberate non-compliance'. These measures include the introduction of a 'three-strike' Intensive Compliance Phase in which they will face escalating penalties for non-compliance. No indication is provided of supports available for people who have had their payments cancelled for four weeks following their third strike.

The new Compliance Framework will also include initiatives aimed at reducing substance misuse among welfare recipients. Claimants will also be required to respond to tightened reporting timeframes, backdating provisions will be removed, and changes will also be introduced to relationship status verification processes.

Initial analysis suggests that the overall savings of $632m over five years are likely to result in around 80,000 people suffering financial penalties from the changes. Altogether, savings refocussing of the Work for the Dole program and introduction of the new Jobseeker Compliance Framework will achieve savings of $632 million. Notably, projections for unemployment remain at a stable 5% over the projection period.

Table 2: Major economic parameters[(a)]

	Outcomes	Forecasts			Projections	
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Real GDP	2.6	1 3/4	2 3/4	3	3	3
Employment	1.9	1	1 1/2	1 1/2	1 1/2	1 1/2
Unemployment rate	5.7	5 3/4	5 3/4	5 1/2	5 1/2	5 1/4
Consumer price index	1.0	2	2	2 1/4	2 1/2	2 1/2
Wage price index	2.1	2	2 1/2	3	3 1/2	3 3/4
Nominal GDP	2.3	6	4	4	4 1/2	4 3/4

(a) Year average growth unless otherwise stated. From 2015-16 to 2018-19, employment and the wage price index are through-the-year growth to the June quarter. The unemployment rate is the rate for the June quarter. The consumer price index is through-the-year growth to the June quarter.
Source: ABS cat. no. 5206.0, 6202.0, 6345.0, 6401.0 and Treasury.

Source: Budget Statement 1, 2017, p1-9

The Budget also introduces a new annual foreign worker levy of $1,200 or $1,800 per worker, per year, on temporary work visas and a $3,000 or $5,000 one-off levy on workers on a permanent skilled visa, with the proceeds to be fed back into a new *Skilling Australians Fund* worth $1.2 billion over four years. The latter provides $1.5 billion over four years to support the skilling of Australian workers through apprenticeships and traineeships for occupations in high-demand and regional and rural areas.

Some positive employment measures in the Budget include expansion of the *ParentsNext* pre-employment program for parents of young children. The program supports parents of young children who may be at risk of long-term welfare dependency, to plan and prepare for employment by the time their children are at school. The extra investment will be targeted at rolling-out the program to an additional 20 locations with a significant Indigenous population.

Funding has also been committed towards Closing the Gap employment related initiatives aimed at Indigenous communities, with an overall investment (of additional funding) of $55.7m over five years. Initiatives will include a pre-employment and training program (*Transition to Work*), increased subsidies for employers and support for Indigenous people transitioning from prison into employment.

HEALTH

POSITIVE MEASURES

- The low-income thresholds for the Medicare levy will increase.
- Funding to prioritise mental health.
- Further development of the Health Care Homes trial.

CONCERNS

- Funding for mental health services for people with a mental illness who do not qualify for NDIS is contingent on a matching commitment from state and territory governments.

COMMENTARY

Medicare Levy and income thresholds
The Budget will raise an additional $8.2 billion in tax revenue over the forward estimates period by increasing the Medicare Levy by half a percentage point from 2.0 to 2.5 per cent of taxable income from 1 July 2019. This revenue will be used to support the NDIS.

As in previous years, the increases consider movements in the consumer price index (CPI) so that low-income tax payers will usually continue to be exempt from paying the levy.

The threshold for singles will be increased from $21,225 to $21,665. The family threshold will increase to $36,541 plus $3,356 for each dependent child or student. For single seniors and pensioners, the threshold will increase to $34,244. The family threshold for seniors and pensioners will increase from $46,966 to $47,670 plus $3,356 for each dependent child or student.

This measure is estimated to have a cost to revenue of $180 million over the forward estimates period.

Medicare Guarantee Fund
The Medicare Guarantee Fund will be credited each year, from 1 July 2017, with revenue raised from the Medicare Level (excluding amounts to fund the NDIS) and a portion of personal income tax receipts to cover the costs of the Medical Benefits Scheme and the Pharmaceutical Benefits Scheme.

Table 6: How revenue from the Medicare levy is used[(a)]

	Estimates			Projections		
	2016-17	2017-18	2018-19	2019-20	2020-21	Total
	$m	$m	$m	$m	$m	$m
DisabilityCare Australia Fund	3,890	4,040	4,230	4,440	4,690	21,290
NDIS Savings Fund	-	-	-	4,440	4,690	9,130
Remaining Medicare levy revenue(b)	11,680	12,100	12,700	13,310	14,070	63,860
Total	**15,570**	**16,140**	**16,930**	**22,190**	**23,450**	**94,280**

(a) Includes other taxes associated with the Medicare levy.
(b) Available only to the Medicare Guarantee Fund from 2017-18 onwards.

Source: Budget Paper 1: 5-12

Prioritising mental health

Improving telehealth for psychological services in regional, rural and remote Australia

- $9.1 billion over four years, from 2017-18 to further the reach of psychological services. The Government will amend the Medicare Benefits Schedule to allow psychologists to provide video consultations to clients living in eligible regions.

Psychosocial Support Services

- $80 million over four years for psychosocial support services for people with mental illness who do not qualify for the NDIS. This funding is contingent on a matching commitment from the States and Territories.

Research

- $15 million over two years to support research into mental health, including contributing to the National Centre for Excellence in Youth Mental Health for research infrastructure, and the Black Dog and Thompson Institutes for further work on prevention and early intervention.

Suicide Prevention Support Programs

- $11.1 million over three years from 2017-18 to help prevent suicide at high risk locations and provide additional support, including: $9 million for the States and Territories to fund infrastructure projects to install barriers, fencing and lighting; and $2.1 million for Lifeline to further support its activities in preventing suicide.

Health Care Home Trials

The 2016-17 Budget introduced the *Healthier Medicare – trial of health care homes* to home based care for patients with chronic and complex conditions. This Budget announced further development of that trial with up to 20 selected general practices and Aboriginal Community Controlled Health Services to commence services under the Health Care Homes model of co-ordinated primary healthcare from 1 October 2017, with the remaining 180 Health Care Homes services to commence from 1 December 2017.

Housing and Homelessness

Positive measures

- The National Affordable Housing Agreement (NAHA) will be replaced by a National Housing and Homelessness Agreement (NHHA) from 2018–19. The National Competition Council will receive $6.5 million to assist with implementation and performance assessment under the NHHA (Section 2, page 155).

- The NHHA will combine the $1.3 billion annual funding from the National Affordable Housing Specific Purpose Payment (NAHSPP) and the $115 million under the National Partnership Agreement on Homelessness (NPAH). This funding will increase under the NHHA, as it will be indexed annually. (Section 3 pages 42 & 43).

Table 2.8: Payments to support State affordable housing services

$million	2016-17	2017-18	2018-19	2019-20	2020-21
National Affordable Housing SPP	1,342.6	1,360.0	-	-	-
National Housing and Homelessness funding(a)	-	-	1,500.2	1,524.9	1,548.5
National Partnership payments					
First Home Owners Boost	-0.3	-	-	-	-
Homelessness	115.0	117.2	-	-	-
Northern Territory remote Aboriginal investment					
Remote Australia strategies component	49.7	50.9	3.5	3.5	3.7
Remote housing	391.0	385.4	-	-	-
Social Impact Investments	-	-	-	1.1	1.1
Total	**1,898.0**	**1,913.6**	**1,503.7**	**1,529.5**	**1,553.2**

(a) Funding includes $116.6 million in 2018-19, $118.4 million in 2019-20 and $120.0 million in 2020-21 for homelessness.

- Over the three years from 2018–19 the Government will also provide an additional $375.3 million for homelessness support services, conditional on matching from the State and Territory Governments.
- Tax incentives for Managed Investment Trusts (MITs) to invest in affordable housing. Investments that meet the criteria are the acquisition, construction or redevelopment of property that derives 80% or more of its assessable income from affordable housing for at least 10 years. Affordable housing will be defined as housing rented to low to moderate income tenants at a rate below market rates.
- Establishment of the National Housing Infrastructure Facility (NHIF). This will provide financial assistance of up to $1 billion to local government over five years from 2018-19 for infrastructure to support new housing. However, this has currently been funded as $118 million of grants over three years from 2018-19.
- $63.1 million over four year to establish the National Housing Finance and Investment Corporation (NHFIC). The NHFIC will be a bond aggregator, allowing Community Housing Providers to aggregate their borrowing requirements and issue bonds as a way to raise funds. This is designed to provide a mechanism for Community Housing Providers to access cheaper longer term finance from private investors to fund

affordable housing. The Affordable Housing Implementation Taskforce will inform the design of the NHFIC.
- After July 2018, owner-occupiers aged 65 or over will be able to contribute up to $300,000 from the proceeds of the sale of their home to their superannuation. This measure is aimed at incentivising downsizing and therefore increasing the supply of suitable housing for families. Ideally low income retirees would be the demographic to utilise this measure to unlock the wealth in their house. However, this measure could have the consequence of effectively being tax break for high income earners with high marginal tax rates.
- Foreign owners of residential property not unoccupied or available for rent for at least six months of the year will be levied. This is a small but positive measure to increase utilisation of residential property (though it will test the assumption that empty residential properties are predominantly foreign owned).
- Changes to Australia's foreign resident Capital Gain Tax (CGT) regime will reduce tax breaks for foreign investors. Most significantly, new investors will not be able to access the CGT exemption for their main residence.

CONCERNS

- National Partnership of Remote Housing will receive $385.4 in 2017–18. However, further funding has not been included in the budget.
- There are no specific measures addressing affordable accessible housing for people with a disability. However, this could be addressed through the design of the NHHA.
- The First Home Buyer Scheme enables first home buyers to salary sacrifice up to $30,000 total into their superannuation fund, which will be taxed at a lower rate when withdrawn. This provides a saving mechanism that most benefits young people with a high income and high marginal tax rate. With a cap of $30,000 it also does not provide a way to save the equivalent of a 10% deposit for a median priced house in any of Australia's capital cities (ABS, Residential Property Price Indexes, Dec 2016).
- Incentives for speculative investment in residential property, such as negative gearing have not been addressed in this budget.

COMMENTARY

Reducing pressure on housing affordability is a key theme for the 2017 budget. The measures that the Government will establish to encourage investors to provide affordable rental housing for low to moderate income renters include tax incentives and assistance to reduce borrowing costs for new housing. First home buyers will receive tax breaks to save for deposits, and older homeowners will benefit from incentives to downsize.

In addition to the strong focus on measures to increase private funding for affordable housing and to increase supply, the Government has included a measure to restrict foreign ownership of new developments to no more than 50% and to penalise foreign owners who leave properties unoccupied. It will be interesting to see what impact these measures have on affordability.

With the shortfall of available and affordable housing units in the hundreds of thousands, it is difficult to see these measures having a significant impact on the numbers of people experiencing or at risk of homelessness. True to its word, the Government has taken the approach of seeking more effective use of existing funds, rather than recognising that there is a need for a degree of public capital to expand social housing, despite recent advice to that effect from the Australian Housing and Urban Research Institute Inquiry into funding and delivery of programs to reduce homelessness.

In the absence of such funding, homelessness services will continue to experience the logjam of clients with nowhere to go. On the brighter side, social impact investment trials and capacity building for the non-government sector to develop social impact investment proposals may provide some opportunities for services in the sector to implement or scale up activities at the preventive end of the spectrum.

COMMONWEALTH REDRESS SCHEME

POSITIVE MEASURES

- Initial Commonwealth investment of $33.4m to facilitate establishment of the Commonwealth Redress Scheme.

CONCERNS

- No funding commitment beyond initial investment for establishment of the Scheme.

COMMENTARY

Among the more significant announcements for the UnitingCare network is funding to support the establishment of a National Redress Scheme, following the recommendations of the Royal Commission. The 2017-18 Budget has included an initial commitment from the Federal Government of $33.4m for the establishment of Commonwealth Redress Scheme.

The budget papers do not give any indication of the amounts the Commonwealth is putting aside to pay claimants: the scheme will start receiving applications from 1 July 2018, and projected expenditure is not published due to “legal sensitivities”. The scheme will allow States, Territories and non-government institutions to opt in on a “responsible entity pays” basis.

Whilst projections for future funding to support survivors of abuse are not included in the Budget, its commentary does confirm provision of “ongoing access to support services for survivors through monetary payment, psychological counselling and, if requested by the survivor, a direct personal acknowledgement and response from the responsible institution” (DSS Portfolio Statement, p15).

SUPERANNUATION

POSITIVE MEASURES

- The extension to 1 July 2020 of tax relief for superannuation funds to transfer capital and revenue losses to a new merged fund could support better retirement outcomes for individuals who are members of several funds.
- The Government will encourage older people to free-up housing stock by allowing downsizers over the age of 65 to make a non-concessional contribution of up to $300,000 into their superannuation fund from the proceeds of sale of their principal residence owned for the past ten years or more. Joint owners can each access the same provision.
- This downsizing measure are designed to reduce a barrier for older people wishing to downsize and free-up housing for younger families who can afford to invest in larger homes.

CONCERNS

- The Government will encourage home ownership by allowing voluntary contributions to superannuation made by first home buyers from 1 July 2017 to be withdrawn for a first home deposit, along with associated deemed earnings. Up to $15,000 a year, to a total of $30,000, can be contributed, within existing caps. Both members of a couple can use this mechanism to buy their first home. This measure is expected to cost $250 million over the forward estimates due to the effective tax concession.
- This first home save scheme fails to address the impact of using superannuation as a mechanism to buy property and what this will mean for individuals on retirement. This is effectively a first home owners grant and is likely to have similarly inflationary impacts, without providing any incentive for the construction of new housing.

COMMENTARY

This Budget pitches superannuation as a key mechanism to help address Australia's housing affordability issues. It is not matched by any commitment to ensure that older people will have an adequate standard of living in Australia. Building Australians' financial literacy and their capacity to actively plan for lifetime financial independence continues to be undermined by policies that preference home ownership as a savings vehicle. This perpetuates the assumption that superannuation is not a safe or necessary mechanism to save for old age.

TAX

POSITIVE MEASURES

- Government revenue as a proportion of Gross Domestic Product increases from 23.2% in the 2016-2017 financial year to 23.8% in the 2017-2018 financial year and will continue to increase to 25.4% of GDP by 2020-2021. However, this remains well below the OECD average for similar countries, even when State and Territory revenue is factored in.
- A levy on the five largest banks in Australia with liabilities of greater than $100 billion which will raise $6.2 billion over the forward estimates.
- The Government will crack down on GST evasion on newly constructed residential properties which aims to increase GST revenue by $660 million and payments to the States and Territories by $1.6 billion over the forward estimates.
- Funding the ATO to target the 'black economy' (cash transactions that evade tax) which will have a net increase of revenue of $589 million over the forward estimates. In addition a further $318 million will be raised by cracking down on tax evasion by contractors in the courier and cleaning industries.
- Increases in capital gains tax on foreign investors in residential properties and increased measures to prevent avoidance by foreign investors which will raise an extra $581 million over the forward estimates.
- From 1 July 2017 the Government will disallow deductions for travel expenses related to inspecting, maintaining or collecting rent for a residential rental property, which will have a net gain to revenue of $540 million over the forward estimates.

CONCERNS

- Businesses with a turnover of less than $10 million a year will be granted another 12 months of accelerated depreciation for eligible assets costing less than $20,000, which will cost the budget $950 million in the 2018-2019 financial year.
- The government will abolish broadcast licensing fees for commercial television stations, which will cost the budget $414 million over the forward estimates. However, this is in part to compensate the television stations for a loss of advertising revenue from further restrictions of sports betting advertisements that the government has announced, but which may still struggle to get through the Senate.
- The Government will allow people to save for a first home deposit by placing extra payments into the superannuation, of up to $15,000 per person per year and $30,000 per person in total. This is a measure that favours people on higher incomes as superannuation contributions are taxed at a flat rate of 15%, so the measure favours those on higher personal income tax rates. The measure will cost the budget $250 million over the forward estimates.
- The Government has avoided any serious reforms that address tax give-aways to the wealthy, such as further reform on the superannuation concessions, Capital Gain Tax discounts and negative gearing.
- There is no winding back of the fuel rebate for mining companies and no reform of alcohol taxation, which particularly benefits the wine industry at a cost of around $5 billion a year to government revenue.

COMMENTARY

It is positive that the Government is increasing revenue as a proportion of GDP, as increased revenue is essential if the needs of the community are to be met in areas such as housing, mental health, education and aged care. However, on the negative side the government plans to cut spending from 25.2% of GDP this financial year to 25% of GDP in 2020-2021.

The largest revenue gains in the budget (combined $14.4 billion) are from just two measures, the large bank levy and the increase in the Medicare levy. Over $2.5 billion in increased revenue will come from measures designed to catch tax evasion and tax avoidance and there will be significant uncertainty if this figure can be raised by these measures. However, such measures need to be welcomed as the ability of the community to have confidence in the fairness of the tax system depends in part on their confidence that the government seeks to make sure people do not cheat on the taxes they should be paying.

The government has focused a number of tax measures at foreign people working or investing in Australia. There is an increased levy on employers who employ people from overseas on skilled visas, which will raise an extra $1.2 billion over the forward estimates. The funds will be used to support training and development of Australians. There is indexing of visa application charges which will raise $410 million over the forward estimates.

WELFARE, DEPARTMENT OF HUMAN SERVICES, DEPARTMENT OF SOCIAL SERVICES

POSITIVE MEASURES

- Seven working age payments merged into a single JobSeeker payment. The changes reflect the recommendations of the 2015 McClure welfare reform report.
- $268.9m over two years for a one-off Energy Assistance Payment of $75 for single recipients and $125 per couples.
- $20.2 million over 10 years from 2017-18 to encourage the development of the Australian market for social impact investments. Of this, $12.2 million will be allocated to trial initiatives in partnership with the State and Territory Governments; and $8.0 million will be allocated over four year to establishing a Social Impact Investment Readiness Fund. The later will support the NGO and private sector in developing the capabilities needed for developing social impact investment proposals.

CONCERNS

- A new participation framework will apply from 20 September 2018. Key elements include aligning the participation requirements for recipients aged 30 to 49 with those for recipients under 30, and recipients aged 55 to 59 will only be able to meet up to half of their participation requirements through volunteering. Recipients aged between 60 and Age Pension age will have a new activity requirement of 10 hours per fortnight that can be met through volunteering. The current jobactive program will be enhanced to support both mature age and inexperienced job seekers to increase their chances of finding employment, including through a new Career Transition Assistance Program.
- A drug testing trial will see JobSeeker recipients who test positive would be placed on the Cashless Debit Card for their welfare payments and be subjected to further tests and possible referral for treatment.
- Other welfare measures include: strengthening verification requirements for single parents seeking welfare, a crackdown on those attempting to collect multiple payments, stricter residency rules for new migrants to access Australian pensions, and denying welfare for a disability caused solely by a person's substance abuse.

COMMENTARY

A number of efficiency measures are included in the Budget, continuing reform of the system to facilitate people moving "off welfare and into work". Streamlining measures include simplification of payment structures to be consolidated and better targeted, consistent with recommendations of the 2015 McClure Welfare Reform report.

A key measure includes the transition from 20 March 2020 of the Newstart Allowance and Sickness Allowance recipients will to the new JobSeeker Payment. The JobSeeker Payment will be set at the same rate as Newstart Allowance and current mutual obligation exemptions for Sickness Allowance will be retained.

The Widow Allowance and Partner Allowance will cease on 1 January 2022, when all remaining recipients have reached Age Pension eligibility age.

The Bereavement Allowance will also be closed to new recipients from 20 March 2020 and will be replaced by the new JobSeeker Payment. Existing recipients of Bereavement Allowance will not be impacted by the change. Newly bereaved people on the new JobSeeker Payment will receive a triple payment in the first fortnight and current mutual obligation exemptions will be retained.

Eligibility for the Pensioner Concession Card and the Health Care Card will not be affected by the changes.

<u>Department of Human Services — improving service delivery and reducing red tape</u>

The Budget makes a number of changes to the administrative processes of the Department of Human Services (DHS) service delivery and reduce red tape. These include:

- Piloting with existing accredited Government service providers to reduce call wait times by increasing Centrelink call centre capacity by 250 full-time equivalent roles.
- Increased information-sharing arrangements with the Australian Taxation Office by requiring welfare claimants to provide their Tax File Number (TFN) when first lodging claims.
- Streamlining of referrals for welfare fraud prosecution by allowing information held by DHS to be used in respect to potential criminal proceedings.
- A total of $5.5 million over five years from 2016-17 will be invested to deliver on improvements to TFN and referrals processes.
- Funding to support efforts to improve call centre operations was not published because of commercial-in-confidence sensitivities.

<u>Residency Requirements for Pensioners</u>

The Government will save $119.1 million over five years from 2016-17 by revising the residency requirements for claimants of the Age Pension and the Disability Support Pension (DSP).

From 1 July 2018, claimants will be required to have 15 years of continuous Australian residence before being eligible to receive the Age Pension or DSP unless they have either:

- 10 years continuous Australian residence, with five years of this residence being during their working life (16 years of age to Age Pension age); or
- 10 years continuous Australian residence, without having received an activity tested income support payment for a cumulative period of five years.

Existing exemptions for DSP applicants who acquire their disability in Australia will continue to apply.

Expansion of Cashless Debit Card

The Government will extend current cashless debit card trials in Ceduna (South Australia) and the East Kimberley (Western Australia) until 30 June 2018. It will also expand to a further two locations from 1 September 2017.

Extension of Income Management

The Government will provide $145.5 million over three years from 2016-17 to extend Income Management (IM) in all current locations until 30 June 2019.

Under new arrangements, Financial Counselling, Capability and Resilience Hubs will be renamed Money Support Hubs, and funded for a further two years until 30 June 2019, ensuring continued access to Financial Wellbeing and Capability services in locations where IM and the Cashless Debit Card are operating.

Government Response to the Parliamentary Inquiry into the Child Support Program

The Government will provide $12.4 million over five years from 2016-17 to implement three priority recommendations of the report of the House of Representatives Standing Committee on Social Policy and Legal Affairs, From conflict to cooperation — Inquiry into the Child Support Program, including:

- extending the time period before determining when to adjust the amount of child care support payable, including Family Tax Benefit and other payments, in interim care determinations;
- enabling simpler and more flexible court processes to set aside and modify child support arrangements, in particular Child Support Agreements made before 1 July 1998; and
- adopting a more equitable approach to collecting child support debts and overpayments, taking into account the best interests of the child.

Liquid Assets Waiting Period

Savings of $138.5 million over four years from 2017-18 will be achieved by increasing from 13 weeks to 26 weeks the maximum Liquid Assets Waiting Period when a claimant's liquid assets are equal to or exceed $18,000 for singles without dependants or $36,000 for couples and singles with dependants.

Pensioner Concession Card — reinstatement

The Budget provides $3.1 million in 2017-18 to reinstate the Pensioner Concession Card for pensioners who were no longer entitled to the pension following changes to the pension assets test from 1 January 2017. Reinstating the Pensioner Concession Card will enable pensioners to access Commonwealth subsidised hearing services.

Conclusion

Overall, we welcome the many individual announcements which will benefit vulnerable Australians, including children and young people, families and working parents, older people and Aboriginal and Torres Strait Islanders.

However, we are concerned at several of the measures, which will either disproportionately benefit those who are already advantaged, or which will harm the already vulnerable. In particular, we are concerned at the emphasis on compliance and mutual obligation in the government's welfare and employment measures, and at the emphasis on superannuation as a means of addressing housing affordability.

We remain disappointed with the failure of the budget to address fundamental tax reform, and at the continued complete absence of attention to climate change.

We trust you have found this budget summary helpful in understanding the implications of the 2017 budget.

Appendix 1: Media Release

Budget 2017: The Good, the Bad and the Unfair. Released 9 May 2017

MEDIA RELEASE

9 May 2017

Budget 2017: The Good the Bad and the Unfair

UnitingCare Australia's National Director Claerwen Little says despite some constructive measures the 2017 Federal Budget needed to do more for the most vulnerable Australians.

"The commitment to fund the National Disability Insurance Scheme (NDIS) by an increase in the Medicare levy is a significant measure and a landmark worthy of celebrating," said Ms Little.

"The full funding of the NDIS from 2020 will afford greater dignity and independence to Australians with permanent and significant disability."

But Ms Little lamented punitive measures targeting the unemployed and welfare recipients.

"The very worst elements of this Budget impose harsh compliance measures on jobseekers for no apparent benefit to their employment prospects.

"The language of three strikes and demerits in the Government's proposed welfare reform effectively make it a crime to be unemployed."

She said the needs of Australia's young people had been left out of the 2017 Budget.

"Greater costs for higher education and a lack of support for our most vulnerable young people are a heavy burden for those who hold the future of our nation in their hands.

"We are concerned at the income management measures the Government has committed to extending, along with the cashless debit card. The Government has not explained how this will cost-effectively assist communities to gain the capacity to manage their income long term."

Ms Little welcomed the addition of $80 million over four years for psychosocial support for people with a mental illness who don't qualify for the NDIS, and the $33 million Local Care Workforce Package that will help NDIS and aged care providers recruit and maintain a suitably skilled workforce.

Other Budget initiatives she welcomed include an ongoing National Housing and Homelessness Agreement and $20.2 million trial of social impact investing along with the confirmation of a Commonwealth Redress Scheme for survivors of child sexual abuse from July 2018.

more…..

Ms Little also acknowledged the Government's commitment to Aged Care through the extension of the Commonwealth Home Support Program and Regional Assessment Services funding arrangements.

"The establishment of an industry-led aged care workforce taskforce, and support for the My Aged Care online platform are positive steps in the Government's ongoing aged care reforms."

A full Budget Overview will be published on the unitingcare.org.au website on 10 May 2017.

Ends …