

13 December 2017

Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

Dear Treasurer,

This submission provides **Catholic Social Services Australia's (CSSA) recommendations for the 2018-19 Australian Government Budget**. In making our pre-Budget submission, CSSA is cognisant of the Government's priority to bring the Budget back to surplus. While CSSA accepts the importance of this, we believe that it should not be done at the expense of services and welfare payments for the vulnerable and disadvantaged in our society. As such we urge the Government to adopt equity as its chief guiding principle.

As Pope Francis has urged us, "The dignity of each human person and the pursuit of the common good are concerns which ought to shape all economic policies."¹ CSSA regards the Budget as the primary vehicle for the Government to communicate its commitment to supporting all members of our community and providing a safety net for the most vulnerable.

For our economy to work well it must be inclusive and just. Australia's economic policy settings need to ensure there is sufficient government revenue to fund critical social services and provide adequate income support to families, carers and people seeking employment. We suggest that priority is given to this ahead of tax cuts, especially for businesses. Tax cuts in the current environment will only further disadvantage the poor and vulnerable in our society as they inevitably bear the cost of these cuts through reduced access to services and supports.

In summary, we recommend that the Government consider the following priorities:

- 1) Transition the role of price setting for National Disability Insurance Scheme services to an independent regulator**
- 2) Develop alternative funding models for disability services in rural and remote Australia**
- 3) Establish an Independent Commission to develop benchmarks for income support payments**
- 4) Establish an ancillary fund for all community services programs**
- 5) Increase investment and certainty in affordable housing and services for homeless people**
- 6) Release modelling on the impact of budget decisions, particularly on vulnerable and disadvantaged Australians**

CSSA is the Catholic Church's peak national body for social services.

For over 60 years we have worked with our member agencies to promote a fairer, more inclusive society that reflects and supports the dignity, equality and participation of all people.

Our 51 member agencies operate from 650 sites across Australia and employ around 10,000 people, with 6,000 voluntary contributors to this work.

The network provides community services to 450,000 Australians each year.

CSSA partners with a range of government and non-government organisations to pursue our mission and contributes to social policy development based on the experience and expertise of the CSSA member network.

¹ Encyclical Letter, *Evangelii Gaudium*, 2013, 203

As acknowledged by the Australian Catholic Bishops in their 2017 Social Justice Statement, Australia has enjoyed more than 26 years of uninterrupted growth and now has the second-highest net worth per person in the world. However, we cannot justify this wealth if, in accumulating it, we have left behind those who are most in need.²

Despite this economic growth, the rate of poverty has been increasing with an estimated 3 million Australians now living below the internationally accepted poverty line, including 731,000 children (or one in six).³ Despite some improvements in national unemployment rates, the level of underemployment has been steadily increasing to 8.5%, and is particularly high amongst women, young people and low skilled workers.⁴

This Budget must do more to enable the full social and economic participation of the vulnerable and disadvantaged in our society, not only from a moral obligation to social justice and fairness, but also because such participation will enhance economic growth. Sound investment in families and children, especially through the funding of preventative measures in the lives of those at risk, has demonstrated longer term economic and social benefits to the whole community.⁵

Increased economic and social participation of all Australians including access to employment, training and community participation needs to be a priority for this Budget. Similarly measures which seek to reduce income and support services available to vulnerable Australians should be abandoned as they will not deliver increases in employment, economic and social participation so critical to the functioning of our society and the economy. We urge the Government to focus on investment for long-term benefit rather than expenditure cuts for short-term savings.

In particular, CSSA recommends the Government:

1) Transition the role of price setting for National Disability Insurance Scheme services to an independent regulator as soon as possible

The lack of appropriate and transparent calculation of price caps under the National Disability Insurance Scheme is a crucial issue continuing to undermine the capacity of providers to deliver core disability support services, and risking the overall sustainability of the scheme. We have seen a recent example within our membership of a substantial increase to respite care service pricing finally being accepted by the National Disability Insurance Agency (NDIA), but only after the member agency paid for an independent review of service costings. This is clearly an unsustainable model of price review.

Therefore CSSA strongly supports the Productivity Commission's call for the transfer of responsibility for price setting from the NDIA to an independent body as soon as possible. This would address the inherent conflict of interest with the NDIA being responsible for both the delivery of the Scheme and price setting. Whilst we acknowledge that the NDIA has, in response to the Productivity Commission's recommendations, commissioned McKinsey and Company to undertake a pricing review, this is not truly an independent process.

The Productivity Commission has recommended that the newly established Quality and Safeguards Commission would be an appropriate body to undertake the price regulatory role, and that this body should take on an interim price monitoring function before transitioning to full pricing authority by no later than 1 July 2020.⁶ Additional funding for the Quality and Safeguards Commission will be required to perform these functions.

² Social Justice Statement 2017–2018 *Everybody's Business: Developing an inclusive and sustainable economy*, Australian Catholic Social Justice Council, September 2017

³ Australian Council of Social Services, *Poverty in Australia*, 2016

⁴ Australian Bureau of Statistics, *Labour Force, Australia, November 2016*, Spotlight on Unemployment

⁵ *A New System for Better Employment and Social Outcomes* - Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services P85

⁶ Productivity Commission, *NDIS Costs* final report released October 2017, see recommendations 8.1, 8.2, 8.3

2) Develop alternative funding models for disability services in rural and remote Australia

The National Disability Insurance Agency needs to be better resourced to meet the needs of regional and rural communities transitioning to the NDIS. As identified by the Productivity Commission, these areas are particularly vulnerable to market failure and need greater Government intervention and flexibility in funding models to ensure availability of services.

CSSA members have extensive experience providing social services across rural and regional Australia, and have recommended that new approaches to delivering disability services in these areas are needed. Providers in regional areas face greater challenges in recruiting and training a quality workforce, and ensuring accessibility of services. CSSA members in regional areas have identified the extremely high cost of travel as a key operational issue in these markets which needs to be addressed (for example, a member identified travel costs of \$9000 for which the NDIS only covered \$1800). A member providing services across large regional areas has found use of block-funding to allow an effective cultural approach to delivering services to Indigenous communities in rural areas. Use of block-funding could be retained in such cases to ensure availability and suitability of services.

Funding for trials of new approaches, developed in collaboration with the sector, that will support the rollout of the NDIS in rural Australia would be beneficial. This could include funding to bring service providers together to collaborate on service provision, and identify areas where block-funding will produce better outcomes than individualised funding.

3) Establish an Independent Commission to develop evidence-based benchmarks for adequacy of income support payments

The inadequacy of income support payments is a deeply significant, ongoing issue. It is now five years since the Business Council of Australia told the Parliament “the rate of the Newstart Allowance for jobseekers no longer meets a reasonable community standard of adequacy and may now be so low as to represent a barrier to employment”⁷. Recent research has found that the disposable income of unemployed families receiving social security payments is well below what is needed to maintain a frugal though healthy and dignified minimum standard of living, with shortfalls to the calculated Minimum Income Healthy Living Standard ranging between \$47 and \$126 a week depending on the family and income support type.⁸ As identified by this research, increases to income support payments and especially Newstart are desperately needed to ensure families and individuals are able to attain an acceptable standard of living and the resources to effectively search for work.

CSSA believes that the current system for determining the level of income support is in need of a significant overhaul and as such recommends that an Independent Commission be established to develop evidence-based benchmarks of adequacy for income support payments to ensure recipients can live a frugal yet dignified life, and have a realistic opportunity of securing a job.

This Independent Commission would undertake appropriate consultation and advise government on the appropriate level of welfare payments to ensure that the adequacy of payments are transparent and determined on the basis of need rather than budget repair or balancing budgets. Payment levels should be determined by evidence on living standards and taken out of the political budget process.

⁷ Business Council of Australia (2012), ‘Submission to the Senate Inquiry into the Adequacy of the Allowance Payment System for Jobseekers and Others’

⁸ Saunders P., and Bedford, M, Social Policy Research Centre. 2017. *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians*.

4) Establish ancillary funding for community services

CSSA suggests the creation of a flexible ancillary/incidental fund facility as part of future family and community services programs. Too often, we are advised by member agencies that the funding parameters around programs will not allow service providers to fund ancillary or incidental services that would enable greater access to a service, and in turn maximise the outcomes of the program. Generally, the types of access enhancing services include short-term childcare, transportation, short-term accommodation support as well as education support or job readiness services. We believe that attached to each family and community services program should be a flexible ancillary services fund to support these types of access services. Such a fund may be part of a provider's funding agreement or be pooled and administered by the relevant department to give service providers access to small grants to address the needs of particular client groups.

5) Increase investment and certainty in affordable housing and services for homeless people

CSSA is concerned that Australia has not had a national strategy to address affordable housing and homelessness for some time. We support the development and adoption of a national housing strategy that commits all governments through the National Housing and Homelessness Agreement to comply with delivery of the supply of affordable housing and address homelessness within a national framework. Currently the proposal is for "credible" housing strategies to be produced by the State/Territory Governments without any national guidance or targets. Housing affordability is one of the key concerns for many Australians⁹, and there is a growing number of people experiencing homelessness and those at risk of becoming homeless, especially older single women and women with families fleeing domestic violence¹⁰. This a national priority issue that goes beyond state and territory borders, given we have a national housing market and the housing crisis impacts on the social and economic wellbeing of the entire nation.

6) Release modelling on the impact of budget decisions on vulnerable/disadvantaged Australians

We ask that for this, and all subsequent budgets, the Government publically release economic modelling demonstrating the impact of all Budgetary measures on the social and economic wellbeing of Australians, especially the poorest and most vulnerable in our society.

We would be pleased to outline our recommendations in further detail. Please contact Joe Zabar, Director Economic Policy on Telephone 02 6188 6945 or Joe.Zabar@cssa.org.au, should you wish to further discuss any issues raised in this submission.

Sincerely,



Fr Frank Brennan SJ AO
Chief Executive Officer

⁹ <http://www.theage.com.au/comment/housing-affordability-crisis-brought-on-by-government-policy-failures-20150610-ghkh5w.html> accessed 12th January 2016

¹⁰ <http://www.abs.gov.au/ausstats/abs@.nsf/latestProducts/2049.0Media%20Release12011>